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CITY

JOURNAL

What Social Science Does —and Doesn't—Know
Jim Manzi

How to Dismantle a Muni-Bond Debt Bomb
Steven Malanga

Surveying the Financial Crisis's Wreckage
Nicole Gelinas

The Free-Marketeers Strike Back
Guy Sorman

Classical Music's New Golden Age
Heather Mac Donald

Enlightened and Enriched
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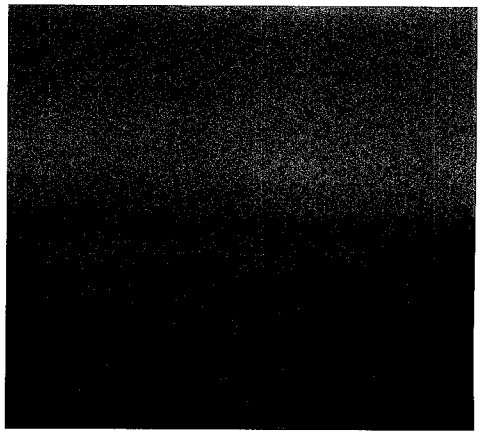

On the cover: *Redbay*, by Jenny Pockley (oil on gesso, 2010). Pockley, a British artist, studied at the Royal Academy Schools. Over the past eight years, she has exhibited regularly at Sarah Myerscough Fine Art in Mayfair, London, where her series of large-scale paintings of New York, as seen from the sky over Manhattan, opens this September. Courtesy of Sarah Myerscough Fine Art (www.sarahmyerscough.com).

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In Prospect

In our absorbing and vitally important cover story, "What Social Science Does—and Doesn't—Know" (page 14), Jim Manzi argues that the experimental method in the social sciences has failed to produce much in the way of predictive rules about human behavior, including a vast array of government programs often justified with this or that study. The reason: the "causal density" of human life resists controlled experimentation. Our scientific ignorance of the human condition remains deep, Manzi says, which is why we need to support trial-and-error learning and maintain skepticism about social engineers' hubristic dreams. The application of the experimental method to the *natural* world, however—a legacy of the Scottish and British Enlightenment—is a main driver of modern prosperity, Joel Mokyr argues in "Enlightened and Enriched" (page 74).

Like inebriated homeowners during the now-burst housing bubble, American cities and states have taken on colossal amounts of debt in recent years—so much debt that many now face budget crises after the economic downturn's decimation of tax revenues. Once upon a time, reports Steven Malanga in "The Muni-Bond Debt Bomb" (page 24), such state and local government borrowing financed essential infrastructure, helping economic life flourish; these days, a lot of the debt has been used to hide festering fiscal problems or to subsidize development boondoggles (examples include money-losing minor-league stadiums and convention centers and empty small-city art museums). Unless this debt bomb is defused, we're all at risk, Malanga warns—and concludes his piece with instructions on how to do it.

The financial and economic crisis is now two years old, and with U.S. unemployment stuck at 10 percent and private-sector lending still anemic, it's clear that we're not safe yet, despite some improved indicators. Over the past year, hundreds of books have tried to explain what happened and how to keep it from happening again. In "Surveying the Wreckage" (page 42), Nicole Gelinas—whose own book on the crisis, *After the Fall*, should be obligatory reading for policymakers—takes the measure of ten of the best, including works by Nouriel Roubini ("Doctor Doom"), MIT economist Simon Johnson, and journalist Michael Lewis. As Gelinas argues, the mainstream narrative—that the financial crisis was a free-market failure—gets it wrong. The true story was just the opposite: over the two decades leading up to 2008, financial markets became increasingly *un*free, with government bailouts of big or complex firms encouraging excessive, and eventually catastrophic, risk. Worse, Gelinas observes, Congress's efforts to reform finance threaten future distortion and disaster. What we need is straightforward: across-the-board borrowing limits for all financial companies and much greater transparency.

A related piece in this issue, Guy Sorman's "The Free-Marketeers Strike Back" (page 34), sketches the outline of a counter-narrative of the crisis, based on the latest thinking of leading free-market economists. Among their findings: the recession, caused by skyrocketing energy costs and starting as early as 2007, helped trigger the financial crisis, rather than the reverse; loose monetary policy during the Alan Greenspan era at the Federal Reserve expanded a massive credit bubble; and economics needs to embrace a broader intellectual approach, so as to bring together more of what we know about the complex interaction of markets.

Everyone is familiar with articles about the supposedly gloomy prospects of classical music; we hear that orchestras are struggling, that recording sales are dwindling, and that young people have zero interest. Heather Mac Donald dismisses the declinists as lacking historical perspective and celebrates "Classical Music's New Golden Age" on page 98. A period-music movement that has brought long-forgotten masterpieces to life again; widespread virtuosity that would have astounded earlier ages; more listeners than ever before; an influx of youthful talent from around the globe—Mac Donald's essay captures the continued vitality of one of the West's greatest art forms. And David Watkin reports on the revival of another in "Something to Love Among the Ruins" (page 112), a description of three British architects' battle to design and build in the classical tradition.

—Brian C. Anderson

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Soundings

Egg on Their Faces

Government dietary advice often proves disastrous.

Steven Malanga

Every five years, the federal Department of Agriculture and Department of Health and Human Services revise their *Dietary Guidelines for Americans*, a publication that sets the direction for federal nutrition-education programs. In an age when aggressive government agencies in places like New York City seek a greater hand in shaping Americans' diets, the next set of guidelines, published later this year, could prove more controversial than usual because increasing scientific evidence suggests that some current federal recommendations have simply been wrong. Will a public-health establishment that has been slow to admit its mistakes over the years acknowledge the new research and shift direction? Or will it stubbornly stick to its obsolete guidelines?

The crux of the controversy is the quantity of fat and carbohydrates that we consume and how it influences our cardiac health. As a recent review of the latest research in *Scientific American* pointed out, ever since the first set of federal guidelines appeared in 1980, Americans heard that they had to reduce their intake of saturated fat by cutting back on meat and dairy products and replacing them with carbohydrates. Americans dutifully complied. Since then, obesity has increased sharply, and the progress that the country has made against heart disease has largely come from medical breakthroughs like statin drugs, which lower cholesterol, and more effective medications to control blood pressure.

Researchers have started asking hard questions about fat consumption and heart disease, and the answers are startling. In an analysis of the daily food intake of some 350,000 people published in the March issue of *The American Journal of Clinical Nutrition*, researchers at the Children's Hospital Oakland Research Institute found no link between the amount of saturated fat that a person consumed and the risk of heart disease. One reason, the researchers speculate, is that saturated fat raises levels of so-called good, or HDL, cholesterol, which may offset an accompanying rise in general cholesterol. A few weeks later, researchers at Harvard released their own analysis of data from 20 studies around the world, concluding that those who eat four ounces of fresh (not processed) red meat every day face no increased risk of heart disease.

According to *Scientific American*, growing research into carbohydrate-based diets has demonstrated that the medical establishment may have harmed Americans by steering them toward carbs. Research by Meir Stampfer, a professor of nutrition and epidemiology at Harvard, concludes that diets rich in carbohydrates that are quickly digestible—that is, with a high glycemic index, like potatoes, white rice, and white bread—give people an insulin boost that increases the risk of diabetes and makes them far more likely to contract cardiovascular disease than those who eat moderate amounts of meat and fewer carbs. Though federal guidelines now emphasize eating more fiber-rich carbohydrates, which take longer to digest, the incessant message over the last 30 years to substitute carbs for meat appears to have done significant damage. And it doesn't appear that the government will change its approach this time around. The preliminary recommendations of a panel advising the FDA on the new guidelines urge people to shift to "plant-based" diets and to consume "only moderate amounts of lean meats, poultry and eggs."

The public-health establishment has been sluggish about reversing course before. Starting in the 1970s, for instance, the American Heart Association advised people to reduce drastically their consumption of eggs as part of a goal to limit total cholesterol intake to 300 milligrams a day (a single egg can have 250 milligrams). The recommendation, seconded by government and other public-health groups, prompted a sharp drop in the consumption of eggs, a food that nutritionists praise as low in calories and high in nutrients. In 2000, the AHA revised its restrictions on eggs to one a day (from a onetime low of three a week), but it also recommended reducing consumption of other cholesterol-heavy foods to compensate. Similarly, the federal government's dietary guidelines still recommend

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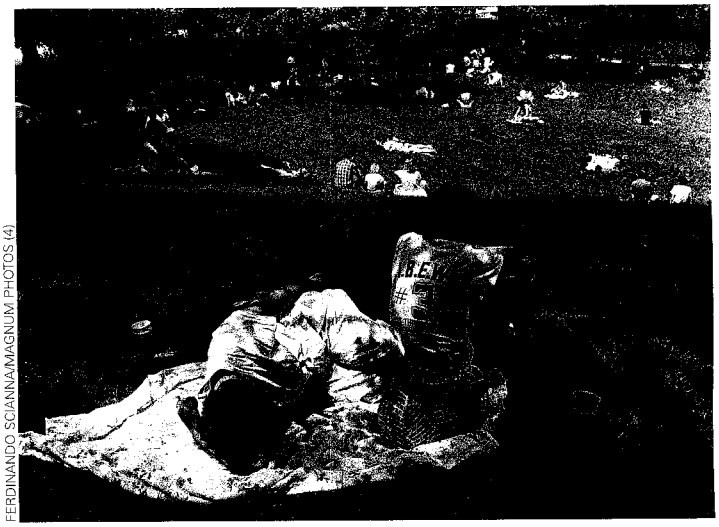
intake of no more than 300 milligrams of cholesterol daily, which makes egg consumption difficult unless one excludes most other animal products. To what purpose? A 2004 article in *The Journal of Nutrition* that looked at worldwide studies of egg consumption noted that the current restrictions on eating eggs are "unwarranted for the majority of people and are not supported by scientific data."

More and more, the history of dietary guidelines that our public-health authorities promulgate resembles the Woody Allen comedy *Sleeper*, in which the main character, awaking from a centuries-long slumber, learns that every food we once thought bad for us is actually good, starting with steak and chocolate. But you wouldn't know that from government experts' increasing efforts to nudge us into their approved diets. In 2006, New York City passed the nation's first ban on the use of trans fats by restaurants, and other cities followed suit, though trans fats constitute just 2 percent of Americans' caloric intake. Now the Bloomberg administration is trying to push food manufacturers nationwide to reduce their use of salt—and the nutrition panel advising the FDA on the new guidelines similarly recommends reducing salt intake to a maximum of 1,500 milligrams daily (down from 2,300 a day previously). Yet Dr. Michael Alderman, a hypertension specialist at Albert Einstein College of Medicine, observed in the *New York Times* that because sodium is an essential component of our diets, the city's effort amounts to a giant uncontrolled experiment with the public's health that could have unintended consequences. And in 2006, Harvard Medical School professor Norman Hollenberg concluded that while some people benefit from reduced salt intake, the evidence "is too inconsistent and generally too small to mandate policy decisions at the community level."

As increasingly sophisticated medicine focuses on tailoring therapies to individual needs, sweeping public pronouncements on health have become outdated at best and dangerous at worst. The best advice that government can give citizens is to develop their own diet and exercise regimes, adapted to their own physical circumstances after consultation with their doctors.



FERDINANDO SCIANNA/MAGNUM PHOTOS (4)

The Gold Bubble

The latest craze lacks mettle.

Stefan Kanfer

From ancient Egypt to the Middle Ages and beyond, adventurers have tried to transmute base metals into gold. They've used private incantations, exotic lore, and secret formulas. Nothing worked—until now. A group of entrepreneurs has just discovered a way of taking nickel, copper, and zinc and turning them into bullion. It's called the television commercial.

Speaking with the authoritative voices of Wall Street gurus, spokesmen—including the old Nixonian G. Gordon Liddy, commentator Glenn Beck, and actor Dann Florek—have persuaded thousands of investors to trade their hard-earned cash for gold. And why not? After all, the goldbugs point out, the government can print money, but it can't print gold. The precious metal has tripled in value since 2001, and it may rise even higher, providing an ideal hedge against inflation. Plus, throughout human history, gold has always had some value. In the spokesmen's words, "it's never been worth nothing"—unlike certain securities that went south in the recession.

This all sounds plausible until the prospective investor takes a second look and realizes that there's no logical reason that gold should retain its stratospheric value. One can measure a

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company by its price-to-earnings ratio, its rate of dividends, its management competence, and its history. Gold, by contrast, is simply an element dug from the ground. Its price is determined by what people can be persuaded to pay for it, not any intrinsic worth. Further, gold is not only prohibitive to purchase these days; it's expensive to keep, lying in a guarded safe-deposit box.

In his multiple-edition book *Stocks for the Long Run*, Jeremy Siegel comments on the questionable history of gold for the U.S. investor. He charts the rise of two separate dollars invested in 1801—the first in stocks, the second in gold. The dollar invested in stocks, he notes, would be worth $8.8 million today; the dollar invested in gold would be worth $14.

It's true that gold has enjoyed a dramatic rise in price over the last few years. But so did dot-com companies and real estate before their bubbles burst. It's well to remember, too, that gold produces no tangible income. Companies do. Gold provides no jobs (except, of course, for those who peddle it). Companies can. And gold isn't regulated. Companies are.

Ergo: gullible viewers should keep a 24-carat caveat emptor in mind every time they pick up the remote.

Misfire

A flawed new study finds racial bias in police-on-police shootings.

Heather Mac Donald

The New York State Task Force on Police-on-Police Shootings recently concluded that black police officers who wield a gun out of uniform face an elevated chance of getting fatally shot by their fellow officers because of those officers' racial bias. The report, publicized by the *New York Times* and embraced by the Obama administration, is a classic example of fitting nonexistent evidence to a predetermined conclusion. Yet however faulty the report's methodology, it will undoubtedly become a standard piece of anti-cop ideology and further fuel the hostility that makes police work in black neighborhoods so difficult.

Governor David Paterson commissioned the study of the role of race in officer-on-officer shootings following two fatal shootings of black off-duty cops: a Mount Vernon Police Department officer in 2008 and a New York Police Department officer in 2009. The task force, headed by Kennedy School professor Christopher Stone and Zachary Carter, a former U.S. attorney for the Eastern District of New York, found that over the last three decades, 26 police officers nationally have been killed by other law enforcement officials—a risk of fatality roughly akin to being hit by lightning. What typically happens in such tragic incidents is that an officer in street clothes, his gun drawn, accosts a criminal. He is observed by other officers and fails to comply with their commands. Fourteen of the officers slain since 1981 were white, ten were black, and two were Hispanic. Most of the minority officers have been killed since 1995, and most were off duty. The white officers, by contrast, were almost all killed while on duty in plainclothes assignments. Among officers killed since 1995, minorities outnumber whites more than two to one, whereas whites outnumbered minorities five to one from 1981 to 1994.

And that's the sum of the evidence that the task force offers for its thesis that minority officers who wield their guns while out of uniform are shot because of police bias, while white officers are shot because of nonracial mistakes. The task force rejects the growing racial diversity of police forces nationwide as a possible explanation for the increasing proportion of minority officers among those killed in friendly-fire incidents, though without explaining its reasoning. The report never reveals what being shot while off duty (as opposed to being shot while working in plainclothes) has to do with police bias, though it places great emphasis on the off-duty status of the slain minority officers. It notes the possibility that minority officers are more likely to witness criminal activity in their home communities—and thus more likely to take police action when off duty—than white officers, but declares that the sample of off-duty officers killed since 1981 is too low to hazard any hypotheses on that score. In the next sentence, however, the report concludes from the same small sample that "regardless of location, . . . off-duty officers

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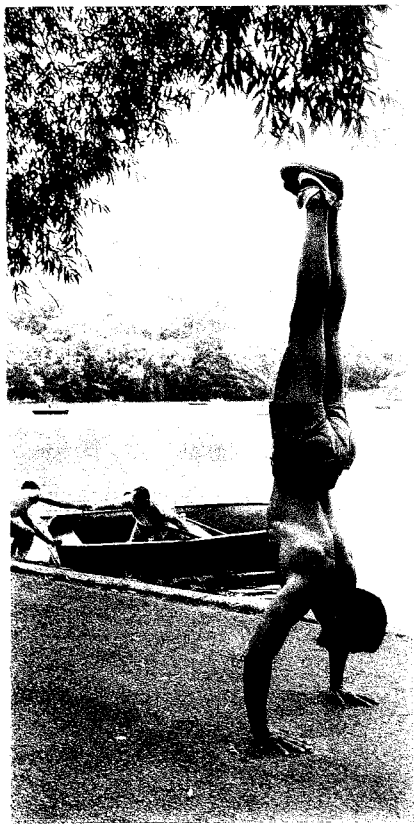

of color [are] more likely [to be] mistaken for a criminal . . . when they display their weapons."

Such a conclusion, along with the confident identification of racism as the reason for the alleged higher risk faced by minority officers generally, is wholly unsupported by the study. The task force fails to analyze the behavior of the slain officers, though it delicately acknowledges that "many of the victims failed to comply with commands to freeze or drop their weapons." That's an understatement. The brief synopses of the off-duty shooting cases show serious tactical deficiencies on the victims' part—and sometimes bad tactical decisions by the confronting cops on the trigger side as well—that have nothing to do with race.

During their training, officers learn: When you're off duty, you'll be mistaken for a crook if you behave like a crook. Never pull your gun unless it's absolutely necessary. If you do pull your gun, make sure that you have your badge in hand. If you take action off duty, identify yourself as a cop and keep your distance from the perp. Few of the victims in the study followed these rules, much less the commands from confronting officers to freeze and drop their weapons, as the task force admits. To make its case that racism lies behind the black officer victimization rate, the task force would have to show that white off-duty officers who made similar tactical errors did not get shot. This it has not done.

It's also troubling that the report frequently acknowledges huge inadequacies in existing data, yet proceeds full speed ahead with its conclusions. For instance, in the New York Police Department—the only department to have collected data on nonfatal shootings—there were four nonfatal shootings of white officers from 1995 to 2009, but none of black officers. Had the task force been able to analyze nonfatal shootings nationwide, it might have reached a different picture of both the incidence and causes of friendly-fire shootings.

Then again, maybe not. The bulk of the report consists of generalized statements from academics and black police commanders about how racist American society remains, a perspective that the task-force members seemed primed to corroborate. The report admiringly quotes task-force advisors Phillip Atiba Goff and John Dovidio: "Because of a range of normal psychological processes such as historical cultural associations, in-group affinities, and self- and group-interest, the majority of White Americans still harbor negative feelings and beliefs about Blacks." Such "new research in social psychology," the task force announces, is "the most persuasive evidence we have found [for] our belief that race . . . often does play a significant role in these [officer-on-officer] confrontations." In other words, the best evidence that the task force can come up with for its thesis of biased police shootings derives from unrelated sources, not its own data. The report places great weight on a single experiment that found that officers in a video simulation took a few microseconds longer to decide not to "shoot" an unarmed black suspect than to decide not to shoot an unarmed white suspect. The fact that officers using the video simulation did not shoot unarmed black suspects any more often than unarmed white suspects—a finding that undermines the biased-shooting theory—is acknowledged by the task force only in passing.

The New York State Task Force on Police-on-Police Shootings has not done the law enforcement profession any favors with its incomplete study. While some of its recommendations are reasonable, its call for more "diversity training" and more testing to uncover unconscious racial bias among officers will waste precious

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resources that could be better spent on tactical exercises to avoid such tragic encounters. Above all, its message that black officers are at risk from the prejudices of their fellow officers is unjustified and poisonous.

Le Squeeze

High taxes on the affluent threaten France's prosperity.

Philippe Nemo

Facing growing budget deficits and an aging population, the French government recently announced a plan to finance its citizens' golden years: the retirement age will rise from 60 to 62 by 2018, and taxes on high incomes and investment interest will go up. While raising the retirement age makes sense, burdening the rich with additional taxes does not. In fact, doing so will threaten France's long-term prosperity.

France's top earners already pay the most burdensome taxes in the world—the Solidarity Wealth Tax, the General Social Contribution, the Contribution to the Repayment of the Social Debt, the higher brackets of France's progressive income tax, the value-added tax on consumption, taxes on inheritances and gifts, capital-gains taxes, corporate taxes, and more besides—along with their own social-security contributions. Why, then, should France tax this group even more heavily?

For socialists, the answer is simple: the rich must cough up the money because the very fact of being rich constitutes an injustice. But for many politicians in the majority that favors the proposed super-taxation, the logic is different. In times of crisis, they argue, when the non-rich must tighten their belts, public opinion expects the rich to pay a price, too. This reasoning imagines itself sophisticated: we'll pillory a few affluent victims, and people will enjoy the spectacle so much that they won't notice when soon we raise their taxes as well.

This is small-time Machiavellianism, dangerous and shortsighted. The French are not fools, and we can see well enough that still more taxes lead to a dead end. Economic dynamism is exhausted in France because we have the highest rate of mandatory withholding in the world. The answer is not to increase withholding once again but to decrease public spending and the fiscal burden of government. We must allow economic actors to produce wealth through creativity and investment.

The rich in France are generally those who have proved themselves capable of starting a business and making it work or who have an exceptional talent in some field. They have thus contributed to productivity and innovation and have been among the main engines of progress. History shows that the wealthiest countries are those that let entrepreneurs get rich and live in peace with their riches—provided, of course, that they've earned their money honestly, without fraud or monopoly.

If in France we stigmatize the rich, make their lives unbearable, treat them as delinquents, and deprive them of the protection of the rule of law, then one of two things must result. Either they will leave the country, preferring the misfortune of an unjust exile to the humiliation of losing their economic freedom; or they will stay but live differently, starting a kind of countdown—keeping in mind how many years they have left to live, as well as the taxation that gradually strips them of their wealth, they will refrain from initiative and investment beyond what they require to maintain their standard of living. This course would strip capital from the next generation's start-ups. Deprived of leavening, the French economic landscape would remain flat and sterile.

Thus the government's attempt to unite "the people" at the expense of a few scapegoats will wind up harming the vital interests of "the people." France still boasts many energetic and disciplined artisans and merchants, as well as entrepreneurs of small and midsize firms who instill their employees with drive and dynamism. They constitute the main future asset of our economy. But we will foster new Apples and Microsofts—as in the past we fostered Michelins and Dassaults—only if we allow these smaller businesses to grow.

Those great industrial firms, the source of our present prosperity, were made by people who worked hard to earn their first million. If the government had confiscated that first million,

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as it is proposing to do to today's entrepreneurs, France would not have become the great economic power that it has been and may be again. If we overtax and discourage the rich, the future will bring neither economic dynamism nor growth. Our country will then know real and irremediable poverty—and incidentally, there will be no one to pay for retirement benefits.

New York's Pioneer Zones

Residents of formerly blighted neighborhoods deserve the city's support.

James Panero

Imagine government officials sweeping through your building one night, rounding up you and your neighbors, and tossing you out on the street. It might sound like something out of the Stasi handbook, but it played out a few years ago on the forlorn boundary of two of New York's outer boroughs. On an October evening in 2007, the Department of Buildings, along with the New York City Fire Department, forcibly removed more than 200 tenants living in a low-slung warehouse building at 17-17 Troutman, on the border of Ridgewood, Queens, and Bushwick, Brooklyn. The FDNY had reasons to shut down the facility: it had issued numerous fire and safety violations against the Troutman landlord, who had failed to address them. But the root of the crisis was the city's antiquated, growth-hindering zoning laws, which continue to put hundreds of young, creative citizens at the mercy of poor living conditions and eviction.

Gotham's zoning codes, which distinguish between residential and industrial areas, weren't originally intended to function as they do today. When the first zoning resolution went into effect in 1916, city elders understood the need to protect residential neighborhoods from the encroachment of heavy industry. The city's disastrous 1961 rezoning turned this protection on its head. In a failed effort to protect a dwindling industrial base, the 1961 resolution artificially enlarged the manufacturing zone to depress the cost of industrial rents. Swaths of the city became off-limits to residential redevelopment. Industry fled anyway, driven out by the high cost of labor and the city's suffocating tax burden.

Though modified since, the 1961 policy remains in force, and it has created shadow economies and shadow lives. Landlords covertly lease the warehouse and factory space to residents, absorbing whatever modest financial penalties the city imposes. Superintendents maintain off-the-books waiting lists of prospective tenants. What results is a state of impermanence for residents. People who might otherwise wish to improve their buildings and invest in their neighborhoods are left with uncertain futures, forever fearful of a midnight knock on the door from the Department of Buildings.

The residents of 17-17 Troutman are a good example. They accepted slumlike surroundings in exchange for inexpensive housing (several were working artists in need of large space). They brought vitality to a neighborhood that had seen generations of flight and decay and was struggling to rise from the ashes of rioting in 1977. These urban pioneers were part of a wave of gentrification that helped transform a forgotten neighborhood, devastated by crime, arson, and misguided urban policy, into a fashionable, bohemian district (see "The Death and Life of Bushwick," Spring 2008). But by paying rent on what was technically a commercial lease and living in their apartments, the Troutman tenants were violating an irregularly enforced law. And their landlord had never converted the building safely into apartments because the whole enterprise was under the table. Hence the unsafe conditions that led to the eviction in 2007.

The city knows that such warehouse buildings have occupants. One need only look up in neighborhoods like Morgantown, an industrial-zoned district in East Williamsburg, Brooklyn, to see the curtains. But rather than thoroughly enforcing current building codes or changing them altogether, the city has practiced a policy of don't ask, don't tell. "It is basically a Wild West," says Laura Braslow, a student of urban planning who runs the volunteer organization Arts in Bushwick. "You have a lot of people in buildings and they have no real tenant rights, so you may have unsafe conditions. You have

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people putting resources, time, and energy into a neighborhood that they will never reap the benefits from. Everyone on the ground is expecting to get kicked out at some time." Braslow's colleague, performance artist Chloe Bass, describes her building's substandard conditions: "I have been living in Bushwick for the last three and a half years in an apartment zoned for commercial space. Our apartment has no fire exit. Our building is probably not up to code. We have one door in and out, and no other way to get out unless you jump out of the window."

"They are pioneers," says Deborah Brown, a mid-career artist who has opened a gallery in Bushwick called Storefront, of residents like Braslow and Bass. "They are living in places no one would want to live—industrial areas with few services and fewer amenities. They create neighborhoods and make it safe for the rest of us to follow." A painter who has exhibited a critically praised series of local landscapes developed in her Bushwick studio, Brown is representative of the artistic community's attempts to put down local roots. She now serves on a community board and, with her husband, has opened an orthodontic clinic in the neighborhood.

The solution to the zoning problem, of course, is to rezone industrial areas to permit new residential use. City Councilwoman Diana Reyna, like many of her constituents in Bushwick's Hispanic population, opposes rezoning, mistakenly believing that manufacturing (and the jobs it brings) could return to the community's blighted industrial zones. But this summer, a battle for political control between Reyna and powerful state assemblyman Vito Lopez has led to an encouraging development in the zoning crisis—at least in Bushwick.

Lopez rules Bushwick with an armada of subsidized social programs through which he extracts political fealty; in general, he has little interest in zoning reform that doesn't expand his control of existing and new subsidized housing. But he also recognizes a new constituency when he sees one, and Bushwick's struggling artists are just such a constituency. So in Albany, the assemblyman proposed an expansion of New York State's 1982 Loft Law, which was a temporary solution to the same problem the city confronts today—though back then, it involved artists living illegally in converted loft space in downtown Manhattan. The Loft Law didn't rezone these districts, but it did grant legal status to industrial buildings with a recent history of tenant occupancy, thus ensuring that the buildings got brought up to code. Lopez proposed to apply the law to three more parts of the city, including the artist areas in Bushwick and East Williamsburg, which are in Reyna's district. In a midnight deal on June 22, Governor David Paterson signed Lopez's new Loft Law over the objections of Mayor Michael Bloomberg, who argued that it "would prevent the City from taking measures to preserve even small islands of industrial businesses." The law is a step in the right direction—a state intervention into a crisis that the city refused to address—though it fails to rezone a single industrial district for residential use.

The artists of Bushwick were surely breaking the law by living in buildings zoned for industry, as were the landlords by renting space to them. But the real injustice has been the city's unwillingness to embrace market demand for housing by rezoning underused warehouse districts. Zoning lines should move according to the fluidity of demand, following the market instead of determining it. Meeting this demand could continue to revitalize some of the city's poorest neighborhoods—and in the process, welcome New York's next generation of creative talent.

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Eurocrash

Despite its promises, a common currency might be holding the Continent back.

Nicole Gelinas

Germany, France, and 14 other European nations have spent a decade ensconced in monetary union. But Europe might have been better off if its nations had continued to compete on currency. Nor would currency competition have forced Europe to sacrifice its goals for the twenty-first century.

The euro, which debuted in 1999, was the triumph of half a century's worth of economic and political reconstruction. Its champions, chief among them postwar French and German leaders, hoped that the single currency would fuse the Continent in trade and travel. The euro would encourage greater investment in Europe because investors wouldn't worry about currency risk. It would give weaker European nations something to aspire to—if they could cut their deficits, they could join the currency and attract more tourism and investment. Further, the euro would give stability to savers, who wouldn't have to worry about their countries' turning to inflation in a crisis and destroying the value of their savings. And the euro could compete with the dollar as a world currency.

These goals are admirable, but the common currency may do more to thwart than achieve them. Even cross-border travel, one of the euro's big success stories, likely could have thrived without the common currency. Europe's rail investments and deregulatory unleashing of competitive, low-budget airlines have probably done more for international travel than the euro has. Airport and railway-station ATMs put cash in travelers' hands within minutes. People can use credit cards for almost any purchase now. It's true that in a state of currency competition, European travelers would have needed to pay exchange fees on withdrawals and credit-card transactions; but competition would have brought banks and money brokers more customers—in addition to the people from England, America, and Asia who already use these services in Europe—and hence caused more jockeying on price, especially with European antitrust hawks watching. So, too, could trade and investment have surged with competing currencies—perhaps more productively than under the euro.

The biggest problem with the euro's first decade, in fact, is that it *did* encourage cross-border investment—much of it unproductive. Banks and other investors lent too much, too cheaply, to Greek, Spanish, Italian, Irish, and Portuguese borrowers. Lenders figured correctly that France and Germany would never let a euro member default. Greece used borrowed funds to maintain an impossible system of labor and taxation, while in Spain and Ireland, the debt fueled property and financial-services bubbles, respectively.

Without the euro to protect them, each country would have had to compete for investor capital. Instead of proving to European bureaucrats that they could reform labor and control public spending, each national government would have had to convince investors—perhaps a more skeptical audience—that it would be fiscally responsible and encourage economic growth. Financial institutions, increasingly adept at helping investors hedge against currency risk, could have kept an eye on deficits, too.

As the crisis has unfolded, Europe's attempts to hold its currency together could hurt the Continent's competitiveness and discourage future investment. In May, to avoid a Greek debt default, Germany and France threw their support behind a $537 billion European Financial Stability Facility, which would lend money to weaker nations that had lost their ability to borrow in the capital markets. But the EFSF could delay a resolution by dangling these rescue packages. If Greece and Spain aren't forced to face up to their problems, they will lose leverage over the labor unions, on which they could otherwise force concessions on work rules and retirement ages. Job markets will remain stagnant.

Further, German and French attempts to save weaker nations only prolong those nations' problems while placing additional burdens on the strong. Investors in German and French debt must now consider not only those two nations' growth prospects, but the probability that they will have to assume hundreds of billions of euros' worth of their neighbors' debt. Europe would pose a stronger counterweight to America if its individual nations didn't have to

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deplete themselves so severely to prop up the currency.

As for inflation: sure, a pre-euro Greece would have repaid global creditors in cheaper drachmas—but sophisticated creditors would have considered that risk before lending so much to the nation in the first place; if they had calculated incorrectly, they would have lost money, as is expected in financial markets. Greece's own mom-and-pop citizens, who save their money in bank accounts or bonds, induce more sympathy when it comes to the risk of losing their hard-earned savings to inflation. But if Greece or another nation were to fail to perform its sovereign duty to its citizens of safeguarding a currency's value, citizens' complaints should be with their own elected officials, just as is the case when a government fails at any critical national task. The solution isn't found in outsourcing sovereignty to a more remote, less accountable, body. If, in an attempt to avoid a euro breakup, France and Germany agree to assume Greece's unpayable promises, they've only transferred those promises—and the eventual inflation, too—to all Europeans.

The euro's plight should serve as a reminder that in currencies, as in other markets, free competition strengthens nations by keeping them flexible and accountable. Rigid cooperation intensifies mistakes.

New York's Prison Turnaround

The population behind bars is falling, even as crime stays low.

Bert Useem

The news about American prisons is typically gloom and doom. Facilities are expensive, overcrowded, and unsuccessful at rehabilitation; inmates learn, if they learn anything, only how to be better criminals next time around; prison-violence rates are unacceptably high; gangs dominate inmate life. But that characterization, while it might describe many prisons elsewhere in the country, is no longer remotely accurate in New York. Thanks to steps taken by the state's Department of Correctional Services (DOCS), New York shows improvement in three bottom-line prison measures simultaneously—declining prison population, declining violence in prison, and declining crime statewide.

Like other correctional agencies around the country, the DOCS saw rapid growth in its inmate population beginning in the late 1970s. In 1977, New York prisons housed 20,000 offenders; by 1999, there were 73,000. After 2000, however, New York began a year-by-year drop in its prisoner population, bucking the national trend of continued (though moderate) growth. By 2008, the DOCS housed 60,000 inmates—a 16 percent fall from a decade earlier.

New York prison violence has come down dramatically, too. In 1983, there were 26 assaults against staff per 1,000 inmates; in 2008, the rate was nine per 1,000. During the same period, the rate of inmate-on-inmate assaults declined from 26 to ten per 1,000 inmates. Long defined in the public mind by the 1971 Attica uprising, New York's prison system has not seen a major incident of collective violence in over a decade. New York has also reduced the threat of inmate escapes almost completely: after a peak of 31 in 1994, the number of escapes has plummeted to zero in 2008 and one last year.

This downward trend in the inmate-violence rate actually understates the state's progress in reducing violence behind bars. From 1999 to 2008, the number of inmates held in maximum security increased by 1.5 percent, while the number of medium-security inmates declined by 21 percent and of minimum-security inmates by 51 percent. In general, higher-security inmates commit more assaults than lower-security inmates do, which makes the decline in the *rate* of inmate violence all the more impressive.

One way that the DOCS keeps violence down is monitoring gang activity. As former DOCS commissioner Glenn Goord explained, "Our policy is that since each inmate comes to prison alone, they will do their time alone. We will not allow gangs to flourish." Current commissioner Brian Fischer has continued this zero-tolerance approach. Gangs are not permitted to recruit, hold meetings, or display their colors. Defiance of these rules all but eliminates an inmate's chance for early release for meritorious behavior. And most prisoners want, above all else, to go home.

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Finally, the crime rate in New York State compares favorably with the national rate. From 1965 through 1991, property crime in the United States and New York tracked closely together, each about doubling. After 1991, the property-crime rate fell both statewide and nationally, but more rapidly in New York. In 2008, the property-crime rate in New York (2,000 crimes per 100,000 residents) was 1.6 times lower than in America as a whole (3,200 per 100,000 residents). The same pattern holds for violent crime. By 2008, the violent-crime rate was considerably lower in New York State (400 per 100,000) than in the United States (450 per 100,000).

It's admittedly difficult to untangle the causal relationships among crime rates, imprisonment rates, and order behind bars. Each may influence the other; causation may run in both directions. For example, increases in the crime rate may push up the number of offenders in prison; more prisoners may then pull down the crime rate. But New York's recent experience is surely a promising anomaly to national trends.

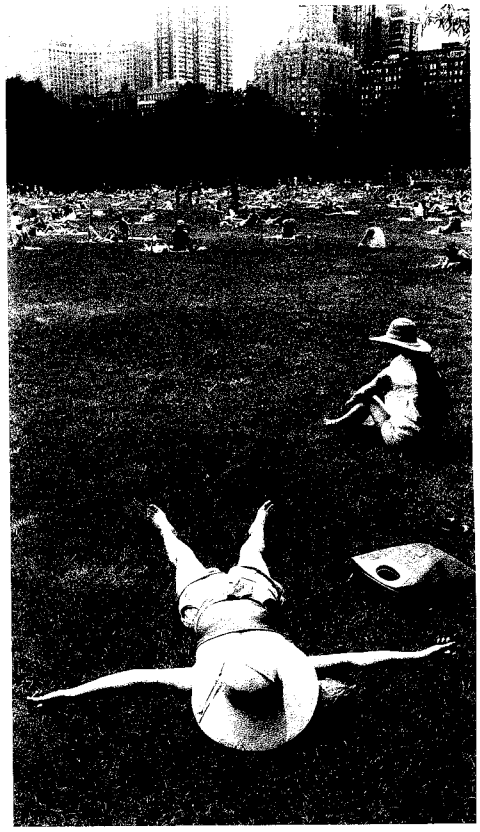
A Deeper Bench

A very brief case for Supreme Court term limits

William Voegeli

President Obama nominated Elena Kagan to be our next Supreme Court justice two weeks after her 50th birthday. If confirmed by the Senate, she'll be two years younger than the average age of her eight colleagues at the time of their confirmations. Ruth Bader Ginsburg, who was 60 when she joined the Court, and Clarence Thomas, who was 43, are the outliers. The other six justices were all between 50 and 56 the day they donned the black robes. John Paul Stevens, whom Kagan would succeed, was 55 when he joined the Court in 1975.

Supreme Court nominations are among any president's most consequential decisions. Since justices serve until they retire, die, or are impeached, presidents are reluctant to select older nominees and thus squander the chance to influence the Court three or four decades into the future. The rule, especially recently, is to find justices old enough to have distinguished themselves but young enough to spend the next several decades making rulings that will gratify the president who nominated and the senators who confirmed them.



At the same time, however, presidents have become increasingly determined that the Supreme Court should more closely resemble the country demographically. With this goal in mind, why not expand the age range of prospective justices to include candidates well into their sixties? The highest court in the land needs the best people we can put on it, regardless of age. The current selection process favors prospective justices who showed great promise at a relatively young age but winnows out those who accomplished big things later in life.

The way to level the playing field—to give older potential justices the same chance to join the Court as the relative whippersnappers—is to amend the Constitution to limit all justices to a term of 16 years on the Supreme Court, twice what the Constitution allows presidents. With the ratification of such an amendment, presidents could make their nominations on the merits, without worrying that selecting an older justice would forfeit their ability to influence the Court over the long haul. A 16-year term limit would negate a 50-year-old Elena Kagan's advantage over a 65-year-old Lewis Powell.

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What Social Science Does—and Doesn't—Know

Our scientific ignorance of the human condition remains profound.

Jim Manzi

In early 2009, the United States was engaged in an intense public debate over a proposed $800 million stimulus bill designed to boost economic activity through government borrowing and spending. James Buchanan, Edward Prescott, Vernon Smith, and Gary Becker, all Nobel laureates in economics, argued that while the stimulus might be an important emergency measure, it would fail to improve economic performance. Nobel laureates Paul Krugman and Joseph Stiglitz, on the other hand, argued that the stimulus would improve the economy and indeed that it should be bigger. Fierce debates can be found in frontier areas of all the sciences, of course, but this was as if, on the night before the Apollo moon launch, half of the world's Nobel laureates in physics were asserting that rockets couldn't reach the moon and the other half were saying that they could. Prior to the launch of the stimulus program, the only thing that anyone could conclude with high confidence was that several Nobelists would be wrong about it.

But the situation was even worse: it was clear that we wouldn't know which economists were right even after the fact. Suppose that on February 1, 2009, Famous Economist X had predicted: "In two years, unemployment will be about 8 percent if we pass the stimulus bill, but about 10 percent if we don't." What do you think would happen when 2011 rolled around and unemployment was still at 10 percent, despite the passage of the bill? It's a safe bet that Professor X would say something like: "Yes, but other conditions deteriorated faster than anticipated, so if we hadn't passed the stimulus bill, unemployment would have been more like 12 percent. So I was right: the bill reduced unemployment by about 2 percent."

Another way of putting the problem is that we have no reliable way to measure counterfactuals—that is, to know what would have happened had we *not* executed some policy—because so many other factors influence the outcome. This seemingly narrow problem is central to our continuing inability to transform social sciences into actual sciences. Unlike physics or biology, the social sciences have not demonstrated the capacity to produce a substantial body of useful, nonobvious, and reliable predictive rules about what they study—that is, human social behavior, including the impact of proposed government programs.

The missing ingredient is controlled experimentation, which is what allows science positively to settle certain kinds of debates. How do we know that our physical theories concerning the wing are true? In the end, not because of equations on blackboards or compelling speeches by famous physicists but because airplanes stay up. Social scientists may make claims as fascinating and counterintuitive as the proposition that a heavy piece of machinery can fly, but these

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Galileo's legendary experiment proved that bodies fall at the same rate, regardless of their mass.

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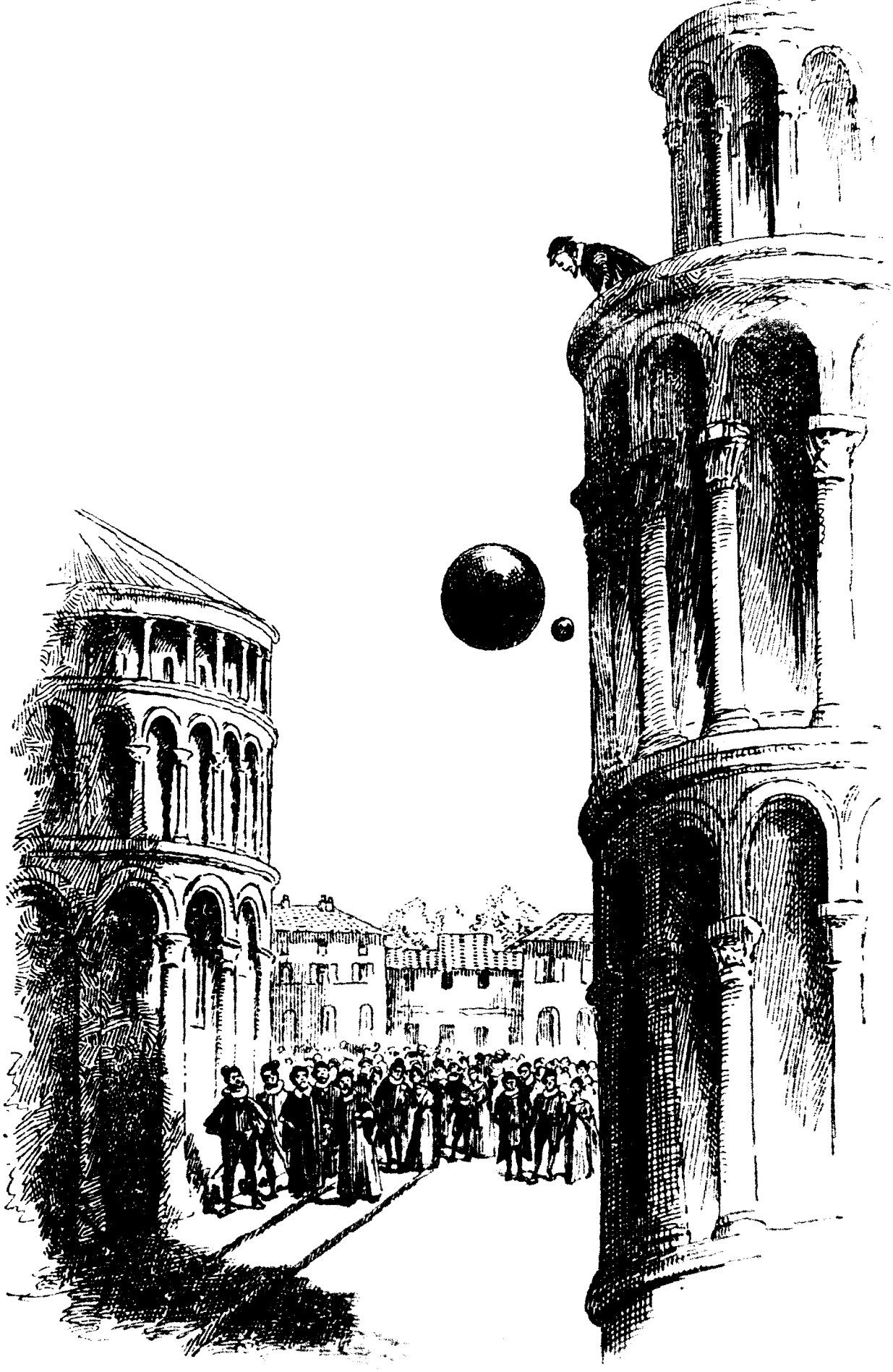

'They were seen to fall evenly.'

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claims are frequently untested by experiment, which means that debates like the one in 2009 will never be settled. For decades to come, we will continue to be lectured by what are, in effect, Keynesian and non-Keynesian economists.

Over many decades, social science has groped toward the goal of applying the experimental method to evaluate its theories for social improvement. Recent developments have made this much more practical, and the experimental revolution is finally reaching social science. The most fundamental lesson that emerges from such experimentation to date is that our scientific ignorance of the human condition remains profound. Despite confidently asserted empirical analysis, persuasive rhetoric, and claims to expertise, very few social-program interventions can be shown in controlled experiments to create real improvement in outcomes of interest.

To understand the role of experiments in this context, we should go back to the beginning of scientific experimentation. In one of the most famous (though probably apocryphal) stories in the history of science, Galileo dropped unequally weighted balls from the Leaning Tower of Pisa and observed that they reached the ground at the same time. About 2,000 years earlier, Aristotle had argued that heavier objects should fall more rapidly than lighter objects. Aristotle is universally recognized as one of the greatest geniuses in recorded history, and he backed up his argument with seemingly airtight reasoning. Almost all of us intuitively feel, moreover, that a 1,000-pound ball of plutonium should fall faster than a one-ounce marble. And in everyday life, lighter objects often *do* fall more slowly than heavy ones because of differences in air resistance and other factors. Aristotle's theory, then, combined authority, logic, intuition, and empirical evidence. But when tested in a reasonably well-controlled experiment, the balls dropped at the same rate. To the modern scientific mind, this is definitive. The experimental method has proved Aristotle's theory false—case closed.

Of course, Aristotle, like other proto-scientific thinkers, relied extensively on empirical observation. The essential distinction between such observation and an experiment is control. That is, an experiment is the (always imperfect) attempt to demonstrate a cause-and-effect relationship by holding all potential causes of an outcome constant, consciously changing only the potential cause of interest, and then observing whether the outcome changes. Scientists may try to discern patterns in observational data in order to develop theories. But central to the scientific method is the stricture that such theories should ideally be tested through controlled experiments before they are accepted as reliable. Even in scientific fields in which experiments are infeasible, our knowledge of causal relationships is underwritten by traditional controlled experiments. Astrophysics, for example, relies in part on physical laws verified through terrestrial and near-Earth experiments.

Thanks to scientists like Galileo and methodologists like Francis Bacon, the experimental method became widespread in physics and chemistry. Later, it invaded the realm of medicine. Though comparisons designed to determine the effect of medical therapies have appeared around the globe many times over thousands of years, James Lind is conventionally credited with executing the first clinical trial in the modern sense of the term. In 1747, he divided 12 scurvy-stricken crew members on the British ship *Salisbury* into six treatment groups of two sailors each. He treated each group with a different therapy, tried to hold all other potential causes of change to their condition as constant as possible, and observed that the two patients treated with citrus juice showed by far the greatest improvement.

The fundamental concept of the clinical trial has not changed in the 250 years since. Scientists attempt to find two groups of people alike in all respects possible, apply a treatment to one group (the test group) but not to the other (the control group), and ascribe the difference in outcome to the treatment. The power of this approach is that the experimenter doesn't need a detailed understanding of the mechanism by which the treatment operates; Lind, for example, didn't have to know about Vitamin C and human biochemistry to conclude that citrus juice somehow ameliorated scurvy.

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But clinical trials place an enormous burden on being sure that the treatment under evaluation is the only difference between the two groups. And as experiments began to move from fields like classical physics to fields like therapeutic biology, the number and complexity of potential causes of the outcome of interest—what I term "causal density"—rose substantially. It became difficult even to identify, never mind actually hold constant, all these causes. For example, how could an experimenter in 1800, when modern genetics remained undiscovered, possibly ensure that the subjects in the test group had the same genetic predisposition to a disease under study as those in the control group?

In 1884, the brilliant but erratic American polymath C. S. Peirce hit upon a solution when he *randomly* assigned participants to the test and control groups. Random assignment permits a medical experimentalist to conclude reliably that differences in outcome are caused by differences in treatment. That's because even causal differences among individuals of which the experimentalist is unaware—say, that genetic predisposition—should be roughly equally distributed between the test and control groups, and therefore not bias the result.

We cannot safely assume that a literacy program that works in one school will work in all schools.

n theory, social scientists, too, can use that approach to evaluate proposed government programs. In the social sciences, such experiments are normally termed "randomized field trials" (RFTs). In fact, Peirce and others in the social sciences invented the RFT decades before the technique was widely used for therapeutics. By the 1930s, dozens of American universities offered courses in experimental sociology, and the English-speaking world soon saw a flowering of large-scale randomized social experiments and the widely expressed confidence that these experiments would resolve public policy debates. RFTs from the late 1960s through the early 1980s often attempted to evaluate entirely new programs or large-scale changes to existing ones, considering such topics as the negative income tax, employment programs, housing allowances, and health insurance.

By about a quarter-century ago, however, it had become obvious to sophisticated experimentalists that the idea that we could settle a given policy debate with a sufficiently robust experiment was naive. The reason had to do with generalization, which is the Achilles' heel of any experiment, whether randomized or not. In medicine, for example, what we really know from a given clinical trial is that *this* particular list of patients who received *this* exact treatment delivered in *these* specific clinics on *these* dates by *these* doctors had *these* outcomes, as compared with a specific control group. But when we want to use the trial's results to guide future action, we must generalize them into a reliable predictive rule for as-yet-unseen situations. Even if the experiment was correctly executed, how do we know that our generalization is correct?

A physicist generally answers that question by assuming that predictive rules like the law of gravity apply everywhere, even in regions of the universe that have not been subject to experiments, and that gravity will not suddenly stop operating one second from now. No matter how many experiments we run, we can never escape the need for such assumptions. Even in classical therapeutic experiments, the assumption of uniform biological response is often a tolerable approximation that permits researchers to assert, say, that the polio vaccine that worked for a test population will also work for human beings beyond the test population. But we cannot safely assume that a literacy program that works in one school will work in all schools. Just as high causal densities in biology created the need for randomization, even higher causal densities in the social sciences create the need for even greater rigor when we try to generalize the results of an experiment.

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Criminology provides an excellent illustration of the way experimenters have grappled with the problem of very high causal density. Crime, like any human social behavior, has complex causes and is therefore difficult to predict reliably. Though criminologists have repeatedly used the nonexperimental statistical method called regression analysis to try to understand the causes of crime, regression doesn't even demonstrate good correlation with historical data, never mind predict future outcomes reliably. A detailed review of every regression model published between 1968 and 2005 in *Criminology*, a leading peer-reviewed journal, demonstrated that these models consistently failed to explain 80 to 90 percent of the variation in crime. Even worse, regression models built in the last few years are no better than models built 30 years ago.

So since the early 1980s, criminologists increasingly turned to randomized experiments. One of the most widely publicized of these tried to determine the best way for police officers to handle domestic violence. In 1981 and 1982, Lawrence Sherman, a respected criminology professor at the University of Cambridge, randomly assigned one of three responses to Minneapolis cops responding to misdemeanor domestic-violence incidents: they were required to arrest the assailant, to provide advice to both parties, or to send the assailant away for eight hours. The experiment showed a statistically significant lower rate of repeat calls for domestic violence for the mandatory-arrest group. The media and many politicians seized upon what seemed like a triumph for scientific knowledge, and mandatory arrest for domestic violence rapidly became a widespread practice in many large jurisdictions in the United States.

But sophisticated experimentalists understood that because of the issue's high causal density, there would be hidden conditionals to the simple rule that "mandatory-arrest policies will reduce domestic violence." The only way to unearth these conditionals was to conduct replications of the original experiment under a variety of conditions. Indeed, Sherman's own analysis of the Minnesota study called for such replications. So researchers replicated the RFT six times in cities across the country. In three of those studies, the test groups exposed to the mandatory-arrest policy again experienced a lower rate of rearrest than the control groups did. But in the other three, the test groups had a *higher* rearrest rate.

Why? In 1992, Sherman surveyed the replications and concluded that in stable communities with high rates of employment, arrest shamed the perpetrators, who then became less likely to reoffend; in less stable communities with low rates of employment, arrest tended to anger the perpetrators, who would therefore be likely to become more violent. The problem with this kind of conclusion, though, is that because it is not itself the outcome of an experiment, it is subject to the same uncertainty that Aristotle's observations were. How do we know if it is right? By running an experiment to test *it*—that is, by conducting still more RFTs in both kinds of communities and seeing if they bear it out. Only if they do can we stop this seemingly endless cycle of tests begetting more tests. Even then, the very high causal densities that characterize human society guarantee that no matter how refined our predictive rules become, there will always be conditionals lurking undiscovered. The relevant questions then become whether the rules as they now exist can improve practices and whether further refinements can be achieved at a cost less than the benefits that they would create.

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Sometimes, of course, we do stumble upon a policy innovation that appears consistently to work (or, much more often, *not* work). For example, various forms of intensive probation—in which an offender is closely monitored but not incarcerated—were tested via RFT at least a dozen times through 2004 and failed every test.

Criminologists at the University of Cambridge have done the yeoman's work of cataloging all 122 known criminology RFTs with at least 100 test subjects executed between 1957 and 2004. By my count, about 20 percent of these demonstrated positive results—that is, a statistically significant reduction in crime for the test group versus the control group. That may sound reasonably encouraging at first. But only four of the programs that showed encouraging results in

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The first clinical trial: Scottish physician James Lind discovers in 1747 that citrus juice fights scurvy.

the initial RFT were then formally replicated by independent research groups. All failed to show consistent positive results.

It is true that 12 of the programs were tested in "multisite RFTs"—experiments conducted in several different cities, prisons, or court systems. While not true replication, this is a better way to uncover context sensitivity than a single-site trial. But there, too, 11 of the 12 failed to produce positive results; and the small gains produced by the one successful program (which cost an immense $16,000 per participant) faded away within a few years. In short, *no* program within this universe of tests has ever demonstrated, in replicated or multisite randomized experiments, that it creates benefits in excess of costs. That ought to be pretty humbling.

The same conclusion holds if you forget about formal replications and merely examine similar programs that have been tested at different times, despite material differences at the level of detail and execution. From those 122 criminology experiments, I extracted the 103 that were conducted in the United States and grouped them into 40 "program concepts": mandatory arrest for domestic violence, intensive probation, and so on. Of these 40 concepts, 22 had more than one trial. Of those 22, only *one* worked each time it was tested: nuisance abatement, in which the owners of blighted properties

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were encouraged to clean them up. And even nuisance abatement underwent only two trials.

So what do we know, based on this series of experiments, about reducing crime? First, that most promising ideas have not been shown to work reliably. Second, that nuisance abatement—which is at the core of what is often called "Broken Windows" policing—tentatively appears to work. Even that conclusion needs qualification: it's a safe bet that there is some jurisdiction in the United States where even Broken Windows would fail. We must remain open to the iconoclast who will find the limits of our conclusions—just as the hard sciences always devote some resources to those who try to unseat conventional wisdom. That is, experimentation does not create absolute knowledge but rather changes both the burden and the standard of proof for those who disagree with its findings.

At the same time that the social sciences began struggling with the problem of dismayingly high causal densities, the same problem was being addressed by another entity entirely: the business world. There have been pockets of successful randomized experimentation in business for decades—consumer-package companies running test markets for new products, for example, and catalog marketers testing new offers. More recently, the information-technology revolution has created the possibility of experimenting much more broadly.

A key event occurred in 1988, when Rich Fairbank and Nigel Morris left a small strategy-consulting firm where the three of us worked to found credit-card company Capital One. The company was designed precisely as an application of the experimental method to business, and that method quickly permeated Capital One, to an extent never before seen. Suppose marketers wanted to know whether a credit-card solicitation would meet with greater success if it was mailed in a blue envelope or in a white one. Rather than debate the question, the company would simply mail, say, 50,000 randomly selected households the solicitation in a blue envelope and 50,000 randomly selected households the same solicitation in a white envelope, and then measure the relative profitability of the resulting customer relationships from each group. The success of Capital One, Fairbank told *Fast Company*, was predicated on its "ability to turn a business into a scientific laboratory where every decision about product design, marketing, channels of communication, credit lines, customer selection, collection policies and cross-selling decisions could be subjected to systematic testing using thousands of experiments." By 2000, Capital One was reportedly running more than 60,000 tests per year. And by 2009, it had gone from an idea in a conference room to a public corporation worth $35 billion.

Through competitive pressure and professional osmosis, Capital One has transformed not only the credit-card industry but most financial services marketed through direct channels. Randomized experimentation is now a core capability for the marketing of everything from credit cards to checking accounts. Nonfinancial companies, too, have imported the experimental model. Harrah's Entertainment carefully executes randomized tests of various hypotheses for how to market to customers—for example, identifying a large number of people who live in Southern California and who usually visit Las Vegas on weekends, mailing a randomly selected group of them an attractive hotel offer for a Tuesday night, and comparing the response of that group (the test group) with the response of the rest of the sample (the control group). "It's like you don't harass women, you don't steal and you've got to have a control group," the CEO of Harrah's said in a Stanford Business School case study. "This is one of the things that you can lose your job for at Harrah's—not running a control group."

The Internet is even better for experimentation than the direct-mail and telemarketing channels that Capital One originally used. Executing a randomized experiment—say, to determine whether a pop-up ad should appear in the upper-left or upper-right corner of a webpage—is close to costless on a modern e-commerce platform. The leaders in this sector, such as Google, Amazon, and eBay, are inveterate experimenters. These days, experimentation is something that one assumes from a successful online commerce company.

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For all these companies, from Capital One to Google, very large test groups of consumers—tens of thousands or even more—can be selected economically, and the insights that the experiments create can be applied to millions of total customers. In 1999, after years of chewing on Fairbank and Morris's example, I started a software company that applied the experimental method to environments where such large samples weren't feasible—a chain of retail stores, for example, that wants to test which of two window displays will lead to greater sales. The company now provides the software platform for experiments for dozens of the world's largest corporations.

What businesses have figured out is that they can deal with the problem of causal density by scaling up the testing process. Run enough tests, and you can find predictive rules that are sufficiently nuanced to be of practical use in the very complex environment of real-world human decision making. This approach places great emphasis on executing many fast, cheap tests in rapid succession, rather than big, onetime "moon shots." It's something like the replacement of craft work by mass production. The crucial step was to lower the cost and time of each test, which doesn't simply make the process more efficient but, by allowing many more test iterations, leads to faster and more useful learning.

Many of the same techniques that businesses use to lower the cost per test—integration with operational data systems, standardization of test design, and so on—could be applied to social policy experiments. In fact, they were applied in a limited way during the execution of more than 30 randomized experiments during the welfare-reform debate of the 1990s, which was one of the most fruitful sequences of social policy experiments ever done. Businesses have demonstrated that the concept of replication of field experiments can be pushed much further than most social scientists had imagined.

ut what do we know from the social-science experiments that we have already conducted? After reviewing experiments not just in criminology but also in welfare-program design, education, and other fields, I propose that three lessons emerge consistently from them.

First, few programs can be shown to work in properly randomized and replicated trials. Despite complex and impressive-sounding empirical arguments by advocates and analysts, we should be very skeptical of claims for the effectiveness of new, counterintuitive programs and policies, and we should be reluctant to trump the trial-and-error process of social evolution in matters of economics or social policy.

Programs that try to change *people* are even more likely to fail than those that try to change *incentives*.

Second, within this universe of programs that are far more likely to fail than succeed, programs that try to change *people* are even more likely to fail than those that try to change *incentives*. A litany of program ideas designed to push welfare recipients into the workforce failed when tested in those randomized experiments of the welfare-reform era; only adding mandatory work requirements succeeded in moving people from welfare to work in a humane fashion. And mandatory work-requirement programs that emphasize just getting a job are far more effective than those that emphasize skills-building. Similarly, the list of failed attempts to change people to make them less likely to commit crimes is almost endless—prisoner counseling, transitional aid to prisoners, intensive probation, juvenile boot camps—but the only program concept that tentatively demonstrated reductions in crime rates in replicated RFTs was nuisance abatement, which changes the *environment* in which criminals operate. (This isn't to say that direct behavior-improvement programs can never work; one well-known program that sends nurses to visit new or expectant mothers seems to have succeeded in improving various social outcomes in replicated independent RFTs.)

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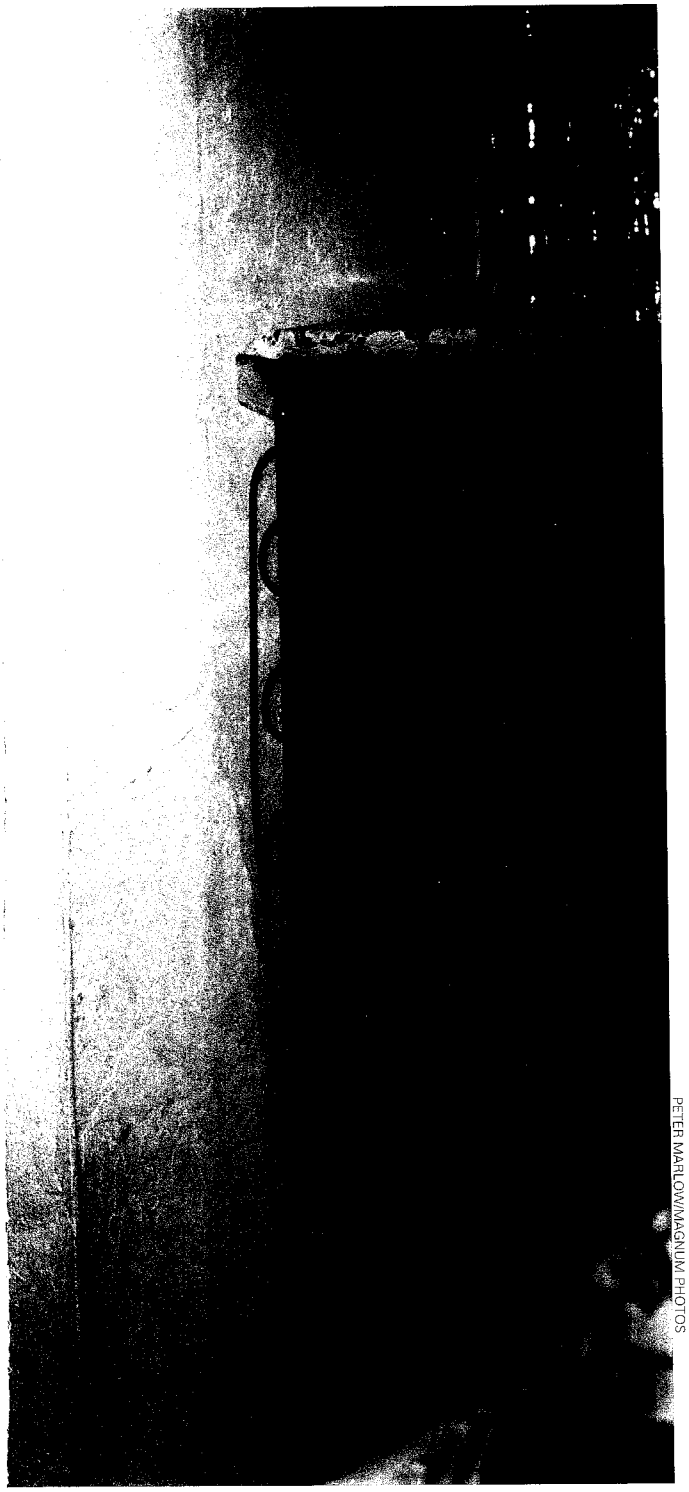

PETER MARLOW/MAGNUM PHOTOS

The experimental study of police responses to domestic violence has yielded wildly varying results—a sign of the causal density of human behavior.

And third, there is no magic. Those rare programs that do work usually lead to improvements that are quite modest, compared with the size of the problems they are meant to address or the dreams of advocates.

xperiments are surely changing the way we conduct social science. The number of experiments reported in major social-science journals is growing rapidly across education, criminology, political science, economics, and other areas. In academic economics, several recent Nobel Prizes have been awarded to laboratory experimentalists, and leading indicators of future Nobelists are rife with researchers focused on RFTs.

It is tempting to argue that we are at the beginning of an experimental revolution in social science that will ultimately lead to unimaginable discoveries. But we should be skeptical of that argument. The experimental revolution is like a huge wave that has lost power as it has moved through topics of increasing complexity. Physics was entirely transformed. Therapeutic biology had higher causal density, but it could often rely on the assumption of uniform biological response to generalize findings reliably from randomized trials. The even higher causal densities in social sciences make generalization from even properly randomized experiments hazardous. It would likely require the reduction of social science to biology to accomplish a true revolution in our understanding of human society—and that remains, as yet, beyond the grasp of science.

At the moment, it is certain that we do not have anything remotely approaching a scientific understanding of human society. And the methods of experimental social science are not close to providing one within the foreseeable future. Science may someday allow us to predict human behavior comprehensively and reliably. Until then, we need to keep stumbling forward with trial-and-error learning as best we can.

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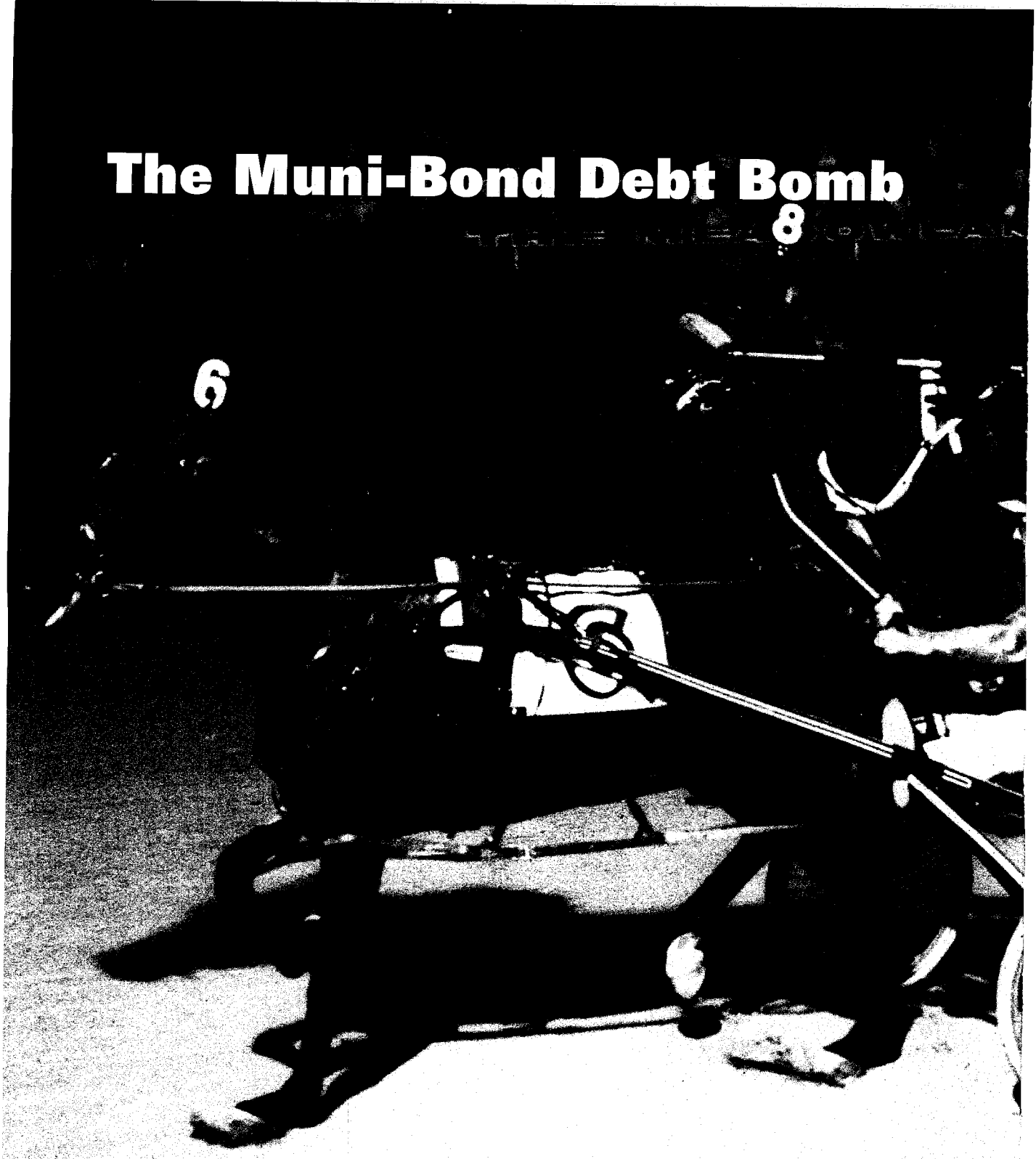
The Muni-Bond Debt Bomb



. . . and how to dismantle it

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Steven Malanga

In the early 1970s, New Jersey officials decided to build a sports facility in the Meadowlands, the state's wetlands just outside New York City. To help pay for it, they formed the New Jersey Sports and Exposition Authority (NJSEA), a quasi-governmental agency with the power to issue debt. The authority floated $302 million in bonds, used the proceeds from the bond sale to construct Giants Stadium and a Meadowlands racetrack, and planned to pay off the debt in 25 years, largely with proceeds from the track but also with some help from the stadium. Horse racing proved a big hit, and the plan seemed bound for success.

But the pols couldn't resist soaking the Meadowlands. They siphoned track proceeds into the state budget; repeatedly refinanced the NJSEA's bonds, pushing repayment dates far into the future; and relied on the authority's good credit rating to launch other building schemes, including a costly but unsuccessful aquarium in Camden. Today, 35 years after its first bonds, the NJSEA is $830 million in hock. Worse, it can't repay that debt because business has cratered at the racetrack, still the Meadowlands' principal revenue source. As for Giants Stadium, it was demolished this year, and its replacement won't be contributing much to the debt repayments. The state, facing its own cavernous budget deficits, has had to assume the authority's interest payments—about $100

BETTMANN/CORBIS

The racetrack at the Meadowlands, built with bonds, first floated in 19[illegible]at hav never been paid off

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million this year on bonds that now stretch out to nearly 2030. "The sports authority is paying the consequences for politicians using it for their pet projects," observes Steve Lonegan, former mayor of Bogota, New Jersey.

Stories like that have become frustratingly common around the country. State and local borrowing, once thought of as a way to finance essential infrastructure, has mutated into a source of constant abuse. Like homeowners before the housing bubble burst, states and cities have gorged on debt, extended repayment times, and used devious means to avoid limits on borrowing—all in order to finance risky projects and kick fiscal problems down the road. Though the country's economic troubles have helped expose some of these unwise practices, the downturn has brought not reform but yet more abuse. Even as Tea Party protesters and taxpayer groups revolt against excessive government spending and taxes, they are paying too little attention to the gigantic state and local debt bomb. If it can't be defused, we're all at risk.

Government debt helped finance the expansion of the American republic. The first municipal bond on record in the United States was an 1812 New York City offering to pay for digging a canal. Six years later, New York State began issuing bonds to finance the $7 million construction of the Erie Canal, whose beneficial impact on the state's economy led other states and cities to rush out bond offerings to pay for new roads, bridges, and waterworks. Total state and local debt outstanding hit $200 million by 1840 and about $1 billion by 1880 ($22 billion in today's dollars).

Though the early muni-bond market helped the young country grow, the borrowing could be risky. Some of the toll roads, railroads, and other endeavors were highly speculative and failed to generate enough income to pay back investors. The five-year downturn that followed the 1837 bank panic left eight states, including Pennsylvania, unable to pay off their bonds, prompting William Wordsworth to pen "To the Pennsylvanians," an ode that castigated those in the state who had "ruthlessly betrayed" the legacy of prudent founder William Penn. Realizing that the defaults would interfere with their ability to borrow in the future, some states imposed debt restrictions on themselves, and eventually inserted requirements into their constitutions that voters approve future bond offerings.

Those moves made the market more secure, but they didn't protect investors from occasional bouts of irrational exuberance. After a flurry of municipal offerings in the 1920s, for instance, total outstanding municipal debt in America reached some $16 billion ($250 billion in today's dollars). Then the Great Depression arrived, drying up tax revenues and leaving governments unable to meet their debts. The 1930s would see 4,500 defaults by state and local governments. It wasn't until the 1950s that the muni market bounced back and debt outstanding surpassed pre-Depression levels.

Though the immediate postwar years proved tranquil, they also saw some troubling changes in the market. States and cities began to expand the scope of what bonds financed to include everything from subsidized housing to private hospitals to urban redevelopment to private industrial development, and they found new ways to skirt state constitutional limits on borrowing. The borrowing craze led to a series of spectacular fiscal crises in the 1970s. Beginning in the previous decade, New York City, under Mayor John Lindsay, had rapidly increased spending on an ambitious menu of social welfare programs, borrowing hefty sums to paper over the resulting deficits. By 1975, New York was borrowing $500 million a month just to pay its everyday bills. Eventually, the banks that managed the debt offerings refused to underwrite further borrowing, fearing that in the increasingly likely event of a default by the city, they might be held liable. New York State and the federal government were forced to bail Gotham out.

Three years after New York's crisis, Cleveland actually did default on $14 million in bonds, in the first major municipal bankruptcy since the Depression. Like New York's, Cleveland's budget had swollen rapidly, expanding by 42 percent between 1972 and 1977, even as the city's population and tax revenues were falling. Cleveland funneled millions of dollars borrowed for capital expenditures into day-to-day operations until

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the banks refused additional credit and the city's money ran out. Cleveland spent two years unable to borrow and had to make big spending cuts before returning to solvency.

These debt crises woke politicians up. By the late 1970s, borrowing had fallen significantly, and state and local debt as a percentage of the country's gross domestic product had shrunk. Over the next 20 years, the country's fiscal picture improved: debt rose only slightly as states used good times to pay their debts.

But such salutary responsibility went by the wayside at the start of the twenty-first century. As memories of the earlier crises faded, politicians, eyeing splashy new development projects and confronted by powerful constituencies like public unions that agitated for plush benefits, began loading up on debt again. Over the last decade, through good times and bad, total state and local debt has soared from $1.5 trillion in 2000 to $2.4 trillion (in current dollars). When that debt is added to other growing obligations that governments are racking up, using techniques like not paying their bills on time, state and local liabilities have increased from 15 percent of GDP in 2000 to an estimated 22 percent this year. In 1980, they were 12 percent.

Over the last decade, total state and local debt has soared from $1.5 trillion in 2000 to $2.4 trillion.

Even more disconcerting than the crushing debt is what it has paid for: giant development projects, for starters, including many in which the private sector has wisely shown little interest, except when government subsidizes them. These projects trace their origin to the urban-renewal movement of the 1950s, when states and the federal government cleared tracts of supposedly blighted urban slums and replaced them with large, centrally planned housing projects. Over time, such efforts became so widespread that even thriving communities were declaring themselves blighted to justify construction. The nature of the projects changed, too, as politicians increasingly issued bonds to make bets on private ventures whose economic benefits were uncertain, at best.

California's redevelopment regime is an egregious case. Starting in the 1950s, the state gave localities the right to create public agencies, funded by increases in property taxes, which could issue debt to finance redevelopment in blighted areas. A whopping 380 such entities now exist in California. They collect 10 percent of all property taxes—nearly $6 billion annually—and have borrowed $29 billion to pay for projects ranging from sports facilities to concert venues to subsidized shopping malls. Originally designed to expire after they have improved an area, the agencies go on forever by claiming that blight never disappears. Consider San Jose's redevelopment agency, one of the state's biggest, which filed an application last year to increase its allocation of property taxes. Blight was getting worse in the city, the agency argued—52 years after it was created to eliminate it.

The California agencies' failures have sometimes been spectacular. In 1999, Fresno conceived plans to revive its downtown area with various projects, including a baseball stadium for the minor-league Grizzlies, whom it had lured from Phoenix. The city's redevelopment agency floated some $46 million in bonds to build the stadium, commissioning the world-famous architectural firm HOK, whose résumé includes Camden Yards in Baltimore, to design it. The plan was to repay the debt with help from the rent that the Grizzlies would pay. But the Grizzlies fizzled in their new home, and under financial strain, they have demanded a break in their rent and threatened to skip town if they don't get one—sticking taxpayers with the entire $3.4 million annual bond payment on the facility. Meanwhile, the Fresno Metropolitan Museum has gone bust, defaulting on $15 million in debt that the city had guaranteed for it—which the city is

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repaying with money from still more borrowing, to the tune of $750,000 a year. As for that downtown blight: "In 1999, experts called [downtown] dirty, outdated, underutilized and disconnected," the *Fresno Bee* recently observed. "By 2009, many of the same complaints persist, despite the stadium and other additions to downtown."

In fact, California's government-financed stadiums and sports arenas, like others around the country, have frequently failed to produce the economic bounce that politicians promised. In 2008, two reporters for the *Press-Enterprise* in Riverside surveyed the record of California sports venues built with public subsidies. In Lake Elsinore, a baseball stadium constructed in 1994 with $24.3 million in bonded debt couldn't meet its obligations for six years, forcing the city to dip into its general fund to make up the difference. A San Bernardino stadium that opened in 1996 with $17 million in public funds is paying off its debt, but it has spurred no new development. "There's a huge consensus among economists that there is no economic development benefit to these stadiums," notes economist J. C. Bradbury.

Nor do other projects that seek Californians' entertainment dollars pay much better. A San Bernardino amphitheater that opened in 1993 with financing from a $22 million bond offering hosts only a handful of concerts every year and can't make enough money to meet its debt payments, the *Press-Enterprise* found. "If there's a need for it, the market will supply it. We don't need government subsidizing it," says state assemblyman Chris Norby.

AP PHOTO/THE FRESNO BEE, JOHN WALKER

ities that use municipal debt to subsidize expensive private projects often get into fierce competitions for the privilege of subsidizing them. Atlanta and Charlotte, for example, recently unleashed a bidding war for NASCAR's Hall of Fame—a private enterprise. Atlanta assembled a $90 million package that included $32 million in subsidies, largely from economic-development debt issued by Georgia. But Charlotte pols—desperate, according to the *Charlotte Observer*, to "secure a one-of-a-kind attraction that finally answers the question: What's Charlotte got that makes it different from any other city?"—trumped Atlanta with a $154 million bid, promising to build the museum by issuing bonds and to service the bonds with funds from a new hotel tax, despite an economic-development study's conclusion that increased annual tourism from the venture wouldn't equal what a single NASCAR race generates.

The price tag for the Hall of Fame quickly rose to nearly $200 million, and Charlotte was

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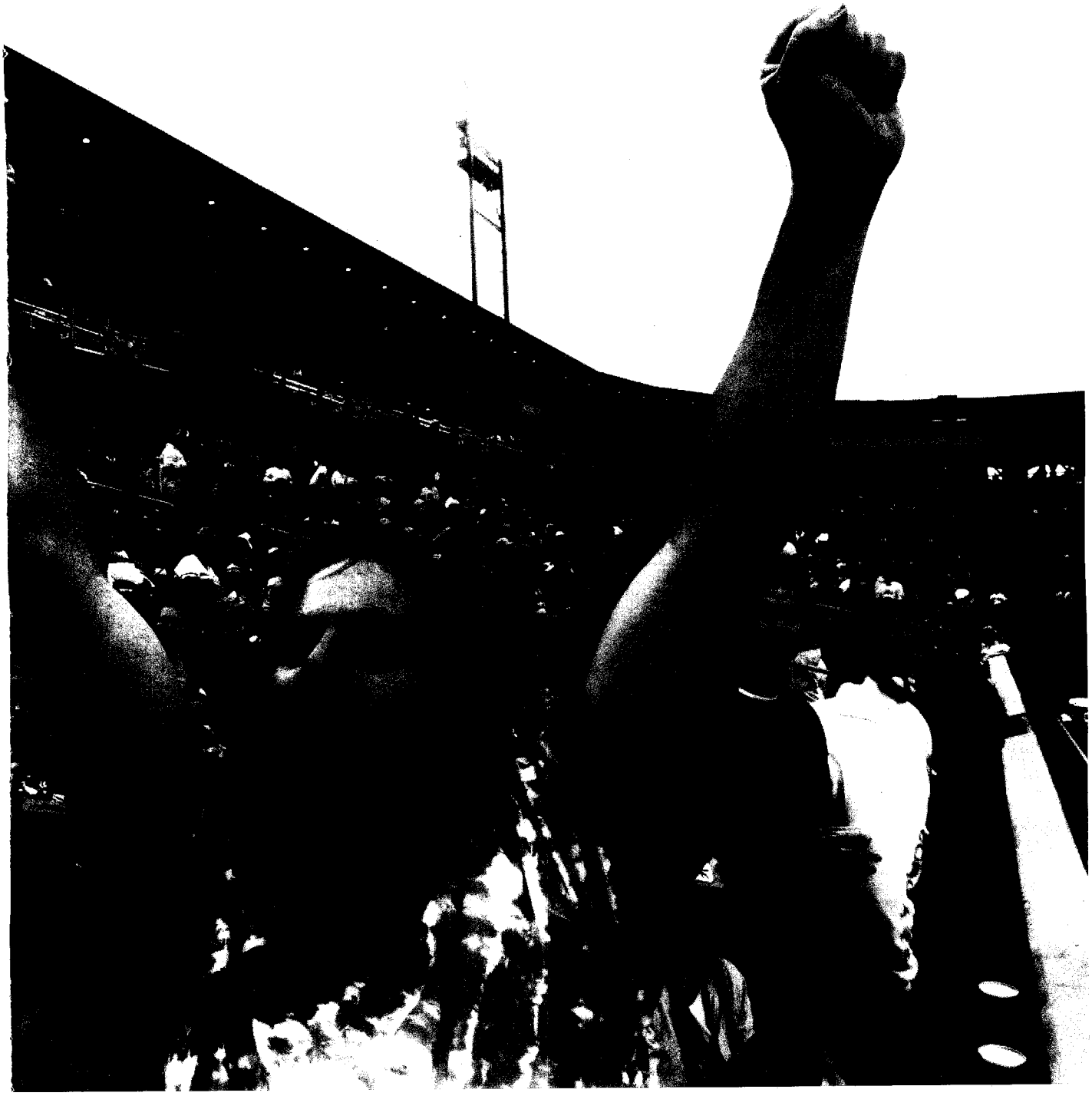

The minor-league baseball Grizzlies, lured to Fresno with a taxpayer-financed stadium, have threatened to leave.

on the hook for all of it. Further, back in 2006, when Charlotte had made its bid, the city was on a roll, with budget surpluses and plenty of ability to issue debt and pay for it; but after the worldwide financial-sector meltdown, Charlotte, a regional banking center, watched unemployment skyrocket from under 5 percent to 12.8 percent, laying waste to tax collections. The city has already had to dip into a reserve fund to pay the debt service on the just-opened Hall of Fame. As the head of the Charlotte Chamber of Commerce observed, "It is a new decade and Charlotte is not the same. Unemployment is stubbornly high. The real estate market is anemic. Public revenues are challenged." Yet he also argued that there was room for optimism. Why? Because of expensive new projects like the NASCAR Hall of Fame!

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Charlotte isn't alone. Across America, states and cities have heaped on the debt to build facilities aimed at luring tourists and conventioneers away from *other* states and cities. For instance, cities have been waging a two-decade-long "arms race," as University of Texas public policy professor Heywood Sanders puts it, to expand convention centers, and have been funding them through billions of dollars in municipal debt. The result: a market with perhaps 40 percent more space than demand warrants, underperforming facilities, operating deficits, and little economic payoff. Washington, D.C., spent $850 million to triple the size of its convention center; its business has since eroded. Indianapolis is in the middle of a $275 million expansion of its convention facility; the center is struggling even to hold on to its current business. Chicago has shelled out $1.5 billion to expand McCormick Place; business there has fallen by a third since 2000, from 3 million visitors a year to 2.1 million. The Orange County Convention Center in Orlando, Florida, which officials expanded at a cost of $748 million in 2003, suffered a record $18 million operating deficit last year.

Recall that many states sensibly require all bond offerings to be approved by voters—who have often defeated new borrowing aimed at financing grand, politically inspired projects. But the requirement has led to a rise in maneuvering by officials, who have created quasi-governmental authorities that can issue debt without voter approval. Such backdoor borrowing has become the most common kind of state debt. In New York, which has 230 of these independent entities, voters have approved only $3 billion of the state's $60 billion of bonded debt outstanding. California's army of redevelopment agencies can likewise borrow without the approval of the voters whose taxes they ingest.

When government can create a shadow world of independent agencies able to borrow without consulting voters, abuses become inevitable. In 2001, after the New Jersey Supreme Court ordered Trenton to embark on a construction and renovation program for schools in poor districts, the state legislature extended the initiative to districts across New Jersey, inflating a $2 billion program to $8.6 billion. Knowing that voters would never swallow the cost, the legislature set up an independent construction authority and sanctioned a massive debt offering without voter approval. Largely unaccountable, the authority became a patronage pit ridden with waste and corruption; investigations by newspapers and the state eventually revealed that it could accomplish only half the job with its huge pot of money. Despite the scandal, the court signed off on a second, $3.9 billion bond offering in 2008 so that the authority could finish the work it had bungled.

Another unaccountable independent agency is the Massachusetts Bay Transportation Authority (MBTA), which runs Boston-area mass transit. In 2000, Massachusetts moved to make the MBTA financially independent. As part of the plan, the authority was supposed to reduce costs and gradually pay down some $5.6 billion in debt; instead, it continued to spend liberally, deferred the debt payments, and borrowed even more money—again, without voter approval. Today, the authority owes $8.5 billion and is paying a staggering $500 million yearly in debt service, which has forced it to neglect maintenance, shelve expansion plans, and cut service. It also needed a $160 million bailout from taxpayers to close a budget deficit last year.

Politicians increasingly use municipal debt to create the false appearance that they are balancing the budget. One feature of muni debt that helps the pols is the sheer complexity of governments' relationship with the independent authorities. Back in 1990, New York State faced a deep budget crisis, but Governor Mario Cuomo didn't want to borrow money to fund day-to-day spending—a fiscal no-no. Instead, he sold Attica Prison to an authority, the New York State Urban Development Corporation, for $200 million—which the authority raised through a bond issue—with the understanding that the state would continue to use the prison over the next 30 years by making yearly payments to the authority. This fiscal trick amounted to the state's borrowing the money itself, of course, but it didn't look as improvident.

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Then, piling irresponsibility atop chicanery, the authority frequently refinanced the debt, so that it still owes $300 million on the original offering, even after paying bondholders $242 million.

The other way that muni debt camouflages politicians' fiscal extravagance is with repayments on bonds that stretch far into the future. Politicians tend to consider debt more palatable than tax increases or spending cuts. New York's current lieutenant governor, Richard Ravitch, has proposed $2 billion in borrowing this year to close the state's budget gap, even though financing day-to-day operations this way brought New York City to its knees 35 years ago. (Ravitch, ironically, helped engineer the bailout of Gotham back then.) Closing the state's budget gap with spending cuts would be "totally disconnected from reality," Ravitch claimed, in justifying the new debt: voters aren't ready to accept service reductions. He apparently thinks that New Yorkers are okay with adding more debt, even though they've voted down numerous bond offerings when given the chance.

Politicians increasingly use municipal debt to create the false appearance that they are balancing the budget.

tates and cities have also used muni debt to play dangerous games in the stock and bond markets. A particularly potent weapon in the politicians' debt arsenal is the so-called pension-obligation bond, the municipal equivalent of borrowing money on your credit card to make contributions to your IRA. Oakland issued the first pension-obligation bonds, which were tax-free, in 1985, and invested the proceeds in taxable securities, which paid the city a higher interest rate than it had to pay on the bonds. Oakland then banked the difference in its pension fund for city workers. The move proved too slick for Washington, however, which eliminated pension-obligation bonds' tax-free status in the Tax Reform Act of 1986.

But that didn't end their use. During the early 1990s, governments started playing a risky arbitrage game in which they issued bonds and then invested the money in the stock market, hoping that the market would outperform the bonds. For a while, the strategy worked: the market was rebounding from the 1989–90 recession, and returns were good. But over the long term, it proved impossible for the stock market to keep up with the returns that the pension bonds were offering. As the Center for State and Local Government Excellence noted in a report earlier this year, most pension bonds issued since 1992 have been money losers for states and cities.

Take New Jersey, whose fall into fiscal chaos has been accelerated by pension bonds. During the mid-1990s, the pension system for state and local employees needed shoring up because the previous governor had overvalued the system's assets. Governor Christine Todd Whitman took the easy way out, deciding to finance the state's payments into the system by taking the proceeds from a pension-bond sale and investing them in the stock market. The market was near its peak; since then, of course, it has endured a decade of essentially zero growth. So Jersey's returns were dismal: the state now has so little cash that it has been skipping its payments into the pension system. Now, to add insult to injury, it must start paying back the bonds that it issued. Some actuaries say that the state's pension system will either go bankrupt in the next several years—testing the limits of guaranteed public-employee pensions—or need a federal bailout. "These pension funds are often run for a political rate of return to keep the pension benefits high and put off the costs," says Rick Dreyfuss, an actuary and a fellow at the Commonwealth Foundation in Harrisburg, Pennsylvania. "It's a recipe for disaster."

Or look at Oregon. Seven years ago, officials there began to push for a change in the state's constitution to let its pension funds issue bonds, saying that it would save millions of dollars. The *Statesman Journal* in Salem called the idea "a no-brainer," while the *Oregonian* claimed that it constituted "state government acting prudently, like

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a business." The measure passed, and Oregon municipalities loaded up with billions in pension debt, which they invested in the market—often using risky investment strategies in an attempt to beat what the bonds paid out in interest. That approach proved ruinous during the financial crisis. In 2008, Oregon pension funds lost 27 percent of their value, the largest decline in the state's history. Oregon taxpayers are now staring at a $1.2 billion hike in the state's contributions to the pension system. "That could force school districts, cities and counties to lay off workers or cut services as they struggle to pay higher pension contributions," the *Oregonian* noted, conveniently omitting its earlier support for the bonds.

All these debt-enabled abuses—extravagant spending, concealments of budgetary problems, and risky investment strategies—came to a head in the second half of 2008, when spooked investors withdrew from the muni-bond market in droves. A downturn in tax revenues had revealed how little breathing room some local governments had left themselves to pay their debts; also, several insurers that typically backed muni bonds had exited the market, leaving buyers unprotected against defaults. The investors' flight should have signaled to cities and states that it was past time to reform their debt practices.

Instead, the federal government reopened the muni-bond business by stepping in with a new kind of municipal offering, the Build America Bond, which is taxable but can offer an attractively high interest rate because it's partly subsidized by Washington. Municipalities enthusiastically embraced the new bonds, racking up another $58 billion in debt in 2009. It's no surprise that the states in the worst fiscal shape, thanks partly to previous borrowing, made the biggest use of the bonds; California led the pack.

Build America Bonds have worsened what economists describe as a misallocation of resources that results from municipal debt's favored status. Muni bonds are usually tax-free, and numerous studies have estimated that of the enormous tax revenues forgone by the government, 20 to 33 percent goes to the bond buyers, who tend to be high-income individuals. That's a huge incentive not to invest in the private sector by buying, say, corporate bonds or equities. Economist Peter Fortune estimated in the early nineties that the misallocation reduced private-sector output by billions of dollars a year; the amount is obviously far larger now. The introduction of Build America Bonds, attracting a whole new class of investor with subsidized interest rates, will make the misallocation even greater.

The current crisis in state and local budgets may be the best opportunity in ages to bring reform to the muni market. Critics have argued in the past that the government should abolish the federal-tax-exempt status of municipal bonds. Those arguments have gone nowhere because the market has powerful defenders: the Wall Street firms that earn underwriting fees selling bonds; the investors benefiting from subsidies; and state and local politicians making liberal use of the debt.

Still, Congress has narrowed muni debt's tax-free status in the past to eliminate egregious abuses, and it's time to do so again. One place to start is municipal debt used to finance for-profit businesses, a job that governments are ill equipped to perform capably. Take the city of El Monte, California, which subsidized the opening of a handful of local car dealerships and watched three of them go bust. When cities take the process a step further and get into bidding wars with one another for things like the NASCAR Hall of Fame, they drive up the price of the attractions, ultimately at a heavy taxpayer cost. Congress should revoke the tax exemption for bonds in all these cases.

Another key reform is to restrain or eliminate the independent authorities. New Jersey has already moved in this direction with a 2008 referendum, approved by voters, constraining the authorities' ability to issue debt without voter approval. Meantime, in California, critics of local redevelopment authorities are intensifying their efforts to rein in or eliminate these bodies. Taxpayer groups point to studies showing that regions of the state that have created the authorities don't do much better than regions that lack them. If that's true, much of the real-estate tax money that they collect winds up wasted,

MICHAEL FEIN/BLOOMBERG/GETTY IMAGES

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Like other unaccountable authorities across the country, the Massachusetts Bay Transportation Authority ran up its debt and needed a state bailout.

including money that could help fund basic services like schools. "Redevelopment is an ever-growing blight on education finance" because of the tax dollars it siphons away, argued Doug McNea, president of the Silicon Valley Taxpayers Association, in the *San Jose Mercury News* recently.

Finally, states and cities need to limit debt-related fiscal maneuvers. They could begin with sophisticated investment vehicles like swaps, which few politicians understand. In recent years, some municipalities tried to insure their bonds against rising interest rates (and, consequently, rising payouts to bondholders) by purchasing swaps contracts with Wall Street firms: if rates rose, the firms would pay the governments; if rates fell, the governments would pay the firms. The arrangement would have worked if rates had risen or fallen modestly. But what has happened since 2008, of course, is that interest rates have plummeted, leaving some governments on the hook for huge payouts. According to Pennsylvania's auditor general, 107 of the state's 500 school districts entered into swaps, some approved even though local school board members didn't understand the deals. One district, Bethlehem, had to pay a $12.3 million fee on a deal gone bad. The state has since proposed banning school districts from buying swaps.

axpayers are slowly realizing that their states and municipalities face growing costs—above all, debt and pension obligations—that will be hard to reduce. The squeeze is already forcing cities and states to cut basic services, since they can't risk defaulting on their debt. But these politically unpalatable moves are troubling more and more observers of the muni market. Nicole Gelinas has warned in these pages that "once state and local governments have borrowed too much, they may well find a way not to pay their lenders back" (see "Beware the Muni-Bond Bubble," Spring 2010). Similarly, Rick Bookstaber, a senior policy advisor to the Securities and Exchange Commission, shook the market recently by observing that it has all the characteristics in place for a crisis that might unfold like the home-foreclosure mess: a few municipalities could declare bankruptcy, decline to honor their debts, and unleash "a widespread cascade in defaults." If that painful scenario emerges, it will be because we have too long ignored how politicians have become addicted to debt.

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The Free-Marketeers Strike Back

A counter-narrative of the financial crisis

Guy Sorman

Since the financial crisis began in September 2008, millions of Americans have lost their jobs, had their savings wiped out, or foreclosed on their homes. Any number of suspects have been blamed for the chaos, but according to an influential cadre of liberal economists, the real culprit is the free market. In his new book *Freefall*, for example, Nobel laureate Joseph Stiglitz declares that "market fundamentalists" and "deregulators" are to blame for the mess. *New York Times* columnist Paul Krugman, also a Nobel winner, demands ever more public spending to lift the U.S. economy out of recession—another blow for statism.

True, Stiglitz offers mere punditry, providing no data or models to support his contention. As for Krugman, one wonders who is making the argument: the Nobel economist or the liberal *New York Times* columnist? His argument for public spending rests on the unproved notion of the "Keynesian multiplier," which holds that $1 in government stimulus eventually generates $1.50 in economic activity. (One of the few examples of serious research on this too-good-to-be-true idea, a study by Harvard economist Robert Barro, found that after five years, $1 invested by the state yielded less than $1 in returns—that is, that the multiplier was really a *de*multiplier.) Still, despite the liberal writers' scientific weakness, they have been extremely successful in imposing their narrative. The conventional wisdom now is that economists failed, that free-market economists failed most of

Leading free-market economists point to various culprits behind the 2008 meltdown, such as skyrocketing oil prices . . .

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all, and that market fundamentalism bears grave responsibility for the economic crisis.

But talk to the free-marketeers themselves, and a different picture emerges. Disagreeing vehemently with the conventional wisdom, they argue that we need to learn from the crisis without disrupting the free-market model that has served the world so well.

"From an historical perspective, the current crisis follows a well-known pattern," says Princeton University's José Scheinkman. "It is astounding," agrees Columbia University's Charles Calomiris, to what extent "the current banking crisis fits into the pattern of all banking crises that we have known about since the fifteenth century": excessive leverage and a strong belief in ever-rising prices, followed by a collapse of trust in, and a run on, the banks. "The weakness of many contemporary economists is a short memory," Calomiris adds. It's an amnesia shared by the public, which tends to erase bad memories. After all, banks usually work pretty well, so long periods of time can pass without a crisis breaking out, making it much easier to forget.

The same forgetfulness holds for recessions, says Eugene Fama of the University of Chicago. The last major one was during the 1930s. Only after the 2008 recession began did the causes of the Great Depression again become a subject of widespread public debate. After World War II, five or six minor recessions struck the United States economy, but all were too short, Fama says, "to leave a deep impression on the collective mind, even in the economics profession." Moreover, too few recessions of any kind have occurred for economists to develop a good descriptive—let alone predictive—recession model: there simply aren't enough data yet. "Maybe each recession is different," Fama suggests. Or perhaps, he adds, recessions are the result of productivity cycles. When no innovations emerge to drive growth, on this view, the economy slows.

"When major recessions don't appear over three generations, one tends to think that they belong to the past and will never happen again," adds John Cochrane, a colleague of Fama's at Chicago. Free-market economists saw the world rally around their model from the early eighties through 2008—a period marked by healthy economic growth and price stability that Cochrane calls "the Great Moderation." They may have become a bit self-righteous, he admits.

The nature of recessions is important because of what may be the free-market economists' most surprising contention: that the recession triggered the financial crisis, not the other way around. Fama argues that the recession started as early as 2007, with consumers starting to spend less, borrowers falling delinquent on their loans, and homeowners who lacked a vested interest in their houses beginning to walk away from their mortgages. So the complex financial derivatives at the heart of the financial meltdown were not its cause but its victims. "For 25 years, before the current recession," Fama points out, "the derivatives worked well in lowering the cost of capital."

What has Fama learned from the crisis, then? "I learned a lot about government overreactions but not much about recessions," he tells me. Confronted with a sharp economic downturn, governments face political pressure to act; stimulus spending and other state interventions seem sensible, even when the history of past crises suggests otherwise. Worse, the new public debt and regulations then hobble economic recovery. Rebounding from the post-2007 recession would have been quicker, Fama believes, if the government had mostly let free markets clean up the mess, reestablish true prices, and select the enterprises able to survive.

James Hamilton, at the University of California at San Diego, agrees that the recession provoked the financial disaster, but he submits that energy costs had much to do with the initial downturn. Energy expenditures as a percentage of total spending in the U.S. had fallen from 8 percent in 1979 to around 5 percent in 2004, he notes. By June 2008, though, the price of gasoline had reached $4 per gallon, blasting the energy share of spending back up to 7 percent. (The massive demand from emerging economies like China and India spiked the prices, a shock comparable with the 1973 energy crisis.) "While

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some people were ignoring $3 gasoline in 2007, $4 definitely got their attention," Hamilton says. The subsequent shift in spending patterns was disruptive for key economic sectors. The number of light trucks sold (including SUVs) plummeted by 23 percent from the second quarter of 2007 to the second quarter of 2008, with auto manufacturing hemorrhaging 125,000 jobs over the same period. The rising energy costs likely had an impact on commuting and hence on housing, Hamilton adds, since they made suburban homes less attractive—and thus less valuable. Widespread mortgage failures began in 2007, in fact—before the financial crisis hit the next year.

If Hamilton is right, the American economy faces not just a bad recession but a long-term structural challenge. The financial system may heal, sensible new rules may lessen risks in the future, excessive leverage may come under control, but oil and commodity prices will begin to rise again and put downward pressure on economic growth. "Emerging countries aren't going to disappear," Hamilton says, so advanced economies need to find a way to combat inevitably higher energy costs. One answer is scientific and technological innovation, which could improve productivity per gallon of oil. Domestic oil and gas drilling (the offshore variant rendered politically toxic by the massive BP oil spill in the Gulf of Mexico this spring) and new nuclear reactors would also reduce energy prices by making the United States less dependent on foreign imports. "Regretfully, this structural challenge isn't at the center of what the U.S. government is doing to restore sustained growth," Hamilton says.

Given the scale of the crisis, Taylor says, it's clear that the private sector could not have caused it on its own.

he University of Chicago's John Taylor grants that it is impossible to avoid recessions entirely. But we *can* avoid certain policies that we know to be conducive of them, he believes. A disciple of the great economists Milton Friedman and Anna Schwartz, he blames the loose monetary policy of the Alan Greenspan era for helping cause the current downturn (see "Monetarism Defiant," Spring 2009).

Taylor is the father of the eponymous Taylor Rule, a mathematical algorithm that the Federal Reserve usually follows in setting the prime interest rate so that prices remain stable but sufficient currency and credit are available to finance steady growth. The Fed followed the Taylor Rule during the Great Moderation, with beneficial economic results. Why, then, after the 2001 recession, did the Fed let the interest rate fall beneath what the rule suggested and keep it extremely low even after 2003, when the economy was clearly growing again? "Greenspan wanted to do better than the Great Moderation," Taylor guesses. "The quest for perfection became the enemy of the good—a case of hubris."

Hubris, indeed: the easy money helped expand a massive credit bubble. And that credit helped fund a wild proliferation of risky subprime mortgages, often issued with little or no money down, thanks to relaxed mortgage-lending laws and to Fannie Mae and Freddie Mac, the now-infamous "government-sponsored enterprises" that busily bought mortgages from lenders to keep homeownership expanding. The bursting of the bubble in 2008 brought the U.S. banking system, which had invested extensively in the subprime mortgages, to its knees. Given the enormous scale of the crisis, Taylor says, it's clear that the private sector could not have caused it on its own. "Distorted incentives encouraged private speculation," he says. "Central banks should return to their former global targets against inflation and be less erratic and more predictable."

Taylor's analysis draws support from a comparison of the financial crisis in the U.S. and Canada. Canadian banks, it turns out, weathered the financial storm much more effectively than American banks did. The reason: Canadian mortgages, unlike American ones, legally

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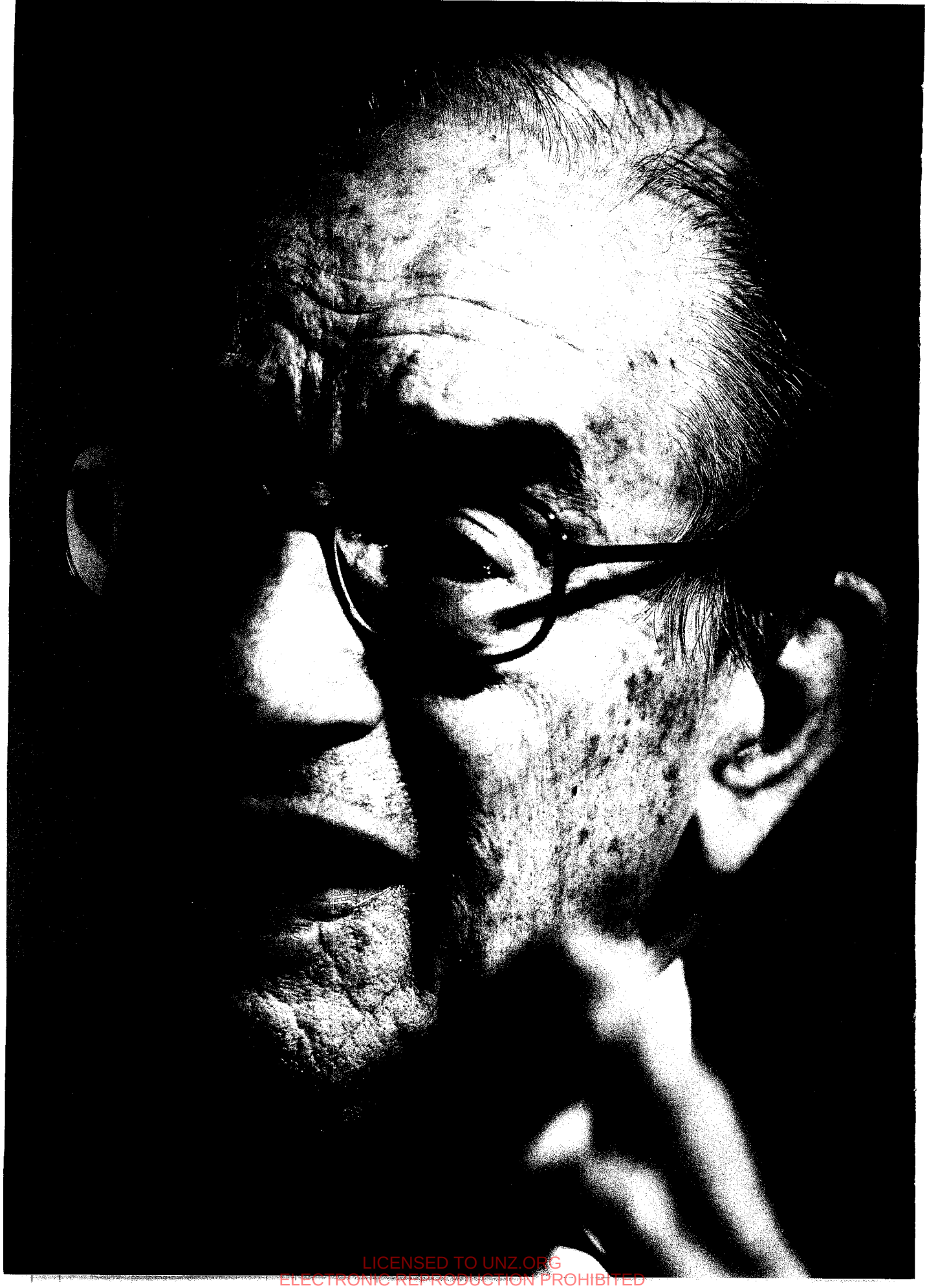

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required robust guarantees, usually a 20 percent down payment. That helped keep homeowners from running away from their mortgage payments when things turned south, as happened in the United States. Canada and the U.S., it's worth noting, still have the same percentage of homeowners—roughly 67 percent—meaning that the American incentives that favored risky bank behavior failed to increase ownership levels.

Cochrane and Taylor, among others, believe that the panic that froze credit for a year beginning in 2008 was a direct consequence of how the government intervened after the bubble burst. "The banks probably had to be saved," Cochrane tells me, "but the problem was that the salvation followed no pattern." Some institutions, like Bear Stearns and Wachovia, were rescued; others, like Lehman, were not. It became impossible to know what the government was going to do next. "If governments couldn't be predicted, nobody could be trusted any more," Cochrane explains. Credit froze. "We knew, from a theoretical point of view, that without trust there is no market," Columbia University's Pierre-André Chiappori says. "For the first time, we saw the theory confirmed in practice. Regretfully, our textbooks were right."

A strict monetary policy, especially if combined with leverage requirements, could limit the size of bubbles.

he free-market economists I spoke with aren't extremists. All of them say that the severity of the financial crisis underscores the need for prudent new regulations. "Free-market theory has, in fact, always recognized the necessity of regulation in finance," says Chiappori, because it considers economic actors as rational beings pursuing their own self-interest. Bankers clearly have a vested interest in going for the highest risks, which can bring in the highest rewards. So market economies have long made rules limiting the risks that bankers can take—and limiting potential losses for depositors.

But regulations won't do much good, says Chiappori, if regulators, "who are only human beings, prove to be as bad as they were in recent years." Any new financial rules must therefore avoid too much dependence on the clairvoyance of smart regulators. Echoing *City Journal*'s Nicole Gelinas in her book *After the Fall*, Chiappori supports simple, easy-to-assess measures like higher capital and margin requirements on financial institutions and transactions, so that loans can't be made with excessive leverage, as was endemic among U.S. financial institutions. "We do not need an Olympian committee of clairvoyant regulators or new institutions for that," he says.

Regulations also won't be able to prevent destructive bubbles from forming, since these bubbles remain an inescapable part of the capitalist economy, Princeton's Scheinkman believes. Capitalism bases itself on innovation; people with money to invest will flock to the most promising innovations; sometimes, an innovation looks so promising that it unleashes a mania. From tulip bulbs in seventeenth-century Holland to Internet firms in 2000 to subprime derivatives in 2008, "there is no way to convince people to be cautious when they expect stratospheric returns," Scheinkman observes. But that doesn't mean that governments are utterly powerless in the face of bubbles. Manias reach a truly dangerous size only when the money supply becomes nearly unlimited, as it did in the run-up to the 2008 meltdown. So a strict monetary policy, especially if combined with leverage requirements, could limit the size of bubbles and keep their potential destructiveness in check.

he free-market economists all see a need for greater transparency in financial markets. An International Monetary Fund economist who asked me not to use his name recommended

ANDREW HARRER/BLOOMBERG/GETTY IMAGES

. . . and the excessively low interest rates set by Alan Greenspan's Federal Reserve.

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greater transparency, particularly for credit default swaps, a form of derivative that provides insurance against default by bond issuers. The CDSs, which were at the core of the 2008 AIG and Lehman collapses, are currently traded directly between issuers and buyers and remain largely hidden from public scrutiny. A clearinghouse for the swaps and other complex financial instruments would let regulators and the public see which firms are exchanging them—and which might be heading for trouble.

However, the IMF economist warns against banning derivatives outright, which would "bring emerging countries to their knees, since this financial innovation has increased the availability of capital at a reasonable interest rate for these economies." Similarly, the prominent French economist Jean Tirole—who blames lack of transparency in exotic financial instruments for the 2008 financial crisis—nevertheless says that "derivatives can be compared with powerful medicines. They cure poverty by providing investments in risky businesses, but excess can be dangerous for your health." The last quarter-century of global growth probably wouldn't have happened without them.

Nor are poor countries the only beneficiaries of complex financial engineering. "Derivatives have brought cheap capital to poor people in rich countries as well," simply by increasing the quantity of money that financial institutions can lend and allowing for a more efficient allocation of risk in the economy, says Phillip Swagel, currently a visiting professor at Georgetown's McDonough School of Business and a former assistant secretary for economic policy at the U.S. Treasury. "The possibility for poor people to buy cars or homes would wind up tremendously reduced if we repressed financial innovation too much." Financial regulations need to walk a fine line between maintaining reasonable risk and ensuring the widespread distribution of capital.

Whatever new regulations lawmakers enact, they won't be perfect, in part because we have insufficient knowledge of the global financial markets, says Columbia University's Rama Cont, a leading expert in the field of financial modeling. Ingenious traders and instantaneous transactions inevitably escape evaluation and control (see "Wild Randomness," Summer 2009). A huge investment in mapping the financial system should therefore precede any substantial new regulation, Cont argues: "How can you regulate what you actually don't know and do not see?" He contends that the IMF should lead the project because it's the only institution with enough data to draw a comprehensive map of how the financial market works.

Cont's mapping project is overly ambitious, in Calomiris's view, though he, too, supports the idea of greater transparency. But Calomiris—a banker by trade as well as an academic—interprets the financial crisis above all as a failure of corporate governance. Bankers played recklessly with depositors' money, even taking contradictory positions within the same institution—buying subprime bonds, for instance, that the bank was simultaneously trying to sell off, with different executives in the bank pursuing different interests. Shareholders could do little to stop such recklessness. Further, U.S. law forbids hostile takeovers of banks by larger investor groups and the concentration of bank capital in a few hands, so banks have few external market checks. This regulatory environment "gives too much power to the bank CEOs," Calomiris says. Felix Rohatyn, a former partner of and now advisor to the Lazard bank, thinks that financial institutions should be required by law to recruit "at least one competent supervisor for their boards, drawn from a state list of legitimate administrators."

But Scheinkman disagrees with the thesis that better corporate governance is the Holy Grail. "Shareholders did exert pressures on CEOs—in order to get maximum returns," he points out. "And maximum returns required maximum risk exposure." After all, before the bubble burst, many shareholders profited from the banks' high-risk strategies. "In a bubble, very few people keep their common sense," Scheinkman goes on. "Even those who know that they are in a bubble think that they will be smart enough to get out just before the bubble bursts."

To what extent did "moral hazard"—the belief that the government would bail out institutions if they got into deep trouble—lead bankers and

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traders to take excessive risks? That expectation may explain some of the careless risk-taking, Scheinkman thinks, "but even without moral hazard, a bubble creates risky behavior." As for the common criticism that the massive size of the leading U.S. banks made them "too big to fail," Scheinkman says that the banks are too large, even apart from the way they worsen moral hazard. "We do not need big banks because they do not bring any economy of scale," he says. "A big bank is not more useful to the economy than a small one." And the big banks certainly should not enjoy taxpayer protection, he adds, because that harms free competition, putting smaller banks at a disadvantage in competing for customers.

As in the 1930s and 1970s, so today: crises are a serious problem, but misguided economic policy makes them worse.

ne proposal that seems to be becoming a consensus view among free-market economists is to prepare emergency plans for future crises. "While it would be another case of hubris for the government to think that it could stop a bubble before it starts expanding, we *can* ask who the victims will be when a bubble bursts," says Luigi Zingales of the University of Chicago (and a *City Journal* contributing editor). Those who knowingly took risks should take their lumps, he says. But mechanisms should be in place to keep a burst bubble from threatening the entire financial system. Contingency plans could help financial firms get through a crisis or, if necessary, be dismantled in an orderly fashion.

It is in the long-run interest of the economy—and consumers—for lawmakers to protect the institutions of the market against businesses seeking to game the system in their own favor. "Too often, because of lobbying, the defense of the market gets confused with the defense of business, but they can be in conflict," says Zingales. Since the Democrats seem more pro-business than pro-market, he would like the Republican Party to stand up more forcefully for markets.

Another lesson of the crisis that most of the free-marketeers agreed with is that the teaching of economics needs revision. An excess of specialization in research and in curricula has kept many scholars, to say nothing of their students, in the dark about the big economic picture. The crisis has shown how everything we know about markets interacts in complex ways, requiring a global intellectual approach. "We have discovered that all the elements of our sophisticated modern economies need to work properly—one dysfunction in one part of the system can disrupt the entire system," says Cochrane.

Every economist I interviewed agreed that ballooning American and European debt poses a huge threat to long-term prosperity. The debt will be paid either through inflation, which would make everyone poorer, or—a far better scenario—through economic growth that would increase both individual and government revenues. Unfortunately, by increasing taxes and imposing the wrong regulations, Western governments are hindering entrepreneurship and hence growth, Cochrane says.

s in the 1930s and 1970s, so today: crises are a serious problem, but misguided economic policy makes them worse. After the 1930s, only war production could overcome the negative economic consequences of the New Deal. After the stagflation of the 1970s, it took the bold leadership of Margaret Thatcher and Ronald Reagan to reorient the West toward free markets and prosperity. How long will it take this time before governments understand that overreacting to the crisis and imposing disproved Keynesian remedies will dampen and delay economic recovery?

The answer depends on the ability of free-market economists and commentators to communicate their narrative of the crisis. We sadly lack someone like Milton Friedman, who could effortlessly convey complex theories to a large audience. Enough talented economists are on hand, however, to build the platform that we need for a free-market revival.

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Surveying the Wreckage

What can we learn from the top books on the financial crisis?

Nicole Gelinas

In January 2007, four small-time fund managers with few Wall Street connections invited themselves to a Las Vegas conference of players in the mortgage-bond business. The interlopers' mission: to see if they were wrong in betting against subprime mortgage securities. They found a money manager who couldn't care less if his clients lost everything on mortgage-related collateralized debt obligations (CDOs): he made money on quantity, not quality. They found a Bear Stearns CDO salesman more interested in playing cowboy at a shooting range than in discussing the housing market. They found ratings analysts utterly indifferent to their crucial jobs—assessing the risk of trillions of dollars' worth of mortgage-related securities. And they learned about some of the average people who had taken out so many mortgages, including a stripper who was juggling five home-equity loans, all dependent on ever-rising home prices.

The four men went home surer than ever that "this is a fictitious Ponzi scheme," as one of them told journalist Michael Lewis, who recounts the story in his gripping new book *The Big Short: Inside the Doomsday Machine*. "Convinced that the entire financial system had lost its mind," they ramped up their bets. One of the men told his mother that America risked "the end of democratic capitalism"; she suggested that he take an antidepressant. But the four were right, of course, and once enough investors agreed with them, the housing and financial bubbles burst and drove the economy into a deep contraction.

It would be easy to read the Vegas story as one more piece of evidence that free markets in the financial world failed us over the past two years. How could the markets have been so wrong, so careless, and so wasteful? Even Steve Eisman—one of the four Vegas interlopers, who made a mint from their contrarian stand—sees the financial crisis as evidence of market failure. Eisman was shocked, he told Lewis, that "inside the free market" there hadn't been any "authority capable of checking its excess." This has become the casual mainstream narrative arc of the crisis: deregulation took the economy down, and the government had to step in to save us from free markets.

Over the past year, hundreds of authors have published books on the crisis. What becomes clear—often despite the authors' own intentions—after reading ten of the most significant of these works is that the mainstream narrative is wrong. Over the two decades leading up to 2008, financial markets were anything but free. The nuts-and-bolts government infrastructure that free markets require to thrive—healthy fear of failure, respect for the rule of law, and fair rules for everyone—was crumbling. The crisis books make clear, too, that Washington's extraordinary rescues of Wall Street have eroded much of what's left of free-market infrastructure in finance. Worse, Congress's efforts to reform the industry will do yet more damage. The next

BRUCE GILDEN/MAGNUM PHOTOS

Nouriel Roubini, a.k.a. Doctor Doom, calls for across-the-board limits on leverage.

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time the financial world implodes, it will hurt the economy even more severely.

Lewis kicks off *The Big Short* with a puzzle about *Liar's Poker*, his debut tell-all about being a 24-year-old trader at Salomon Brothers, the now-defunct investment firm. "I thought that I was writing a period piece about the 1980s in America, when a great nation lost its financial mind," Lewis writes. Instead, he realized, the excesses of the "financial 1980s" persisted for two more decades, to the point that "scandalous" $250 million trading losses from that era today look "quaint." How could this have happened?

The answer lies in the United States government's quarter-century-old policy toward the financial sector: to subsidize its growth at all costs. The delirious 1980s party on Wall Street lasted until 2008—and has even started up again—because a bailout-happy Washington hasn't allowed finance to benefit from the market discipline of self-correction. This policy has been particularly damaging because the financial industry underpins the rest of the economy. Financiers determine which industries, which companies, and which individuals get investment capital, and on what terms. A distorting government hand in finance reaches past Wall Street into every industry and community in America and beyond.

A decade before Lewis landed at Salomon, Wall Street was already becoming proficient in bailouts. In 1975, the City of New York looked close to defaulting on its municipal bonds, as Charles Gasparino, now a Fox Business reporter, recalls in *The Sellout: How Three Decades of Wall Street Greed and Government Mismanagement Destroyed the Global Financial System*. But a young bond salesman named Jimmy Cayne—the pot-smoking, bridge-playing future CEO of Bear Stearns—didn't think his city would walk away from its debt. Cayne bought tens of millions of dollars' worth of New York's bonds from panicked investors, who were selling them for pennies on the dollar. When the state and the feds came through with a rescue, Cayne had made a "small fortune" for his firm. It was a great trade. But Gasparino fails to mention the most fateful part of the tale: Cayne undoubtedly absorbed the lesson that the federal government, fearful of the disruptive consequences, would not let big borrowers default. He was among the first to bet on bailouts.

Over the next decade or so, the lesson would be repeated, with financial firms becoming the borrowers considered "too big to fail." In the early eighties, Washington bailed out lenders to the Continental Illinois bank. Later that decade and into the next, it rescued the bondholders of big savings-and-loan banks. As lenders to the financial industry grew comfortable, realizing that their money wasn't at risk, and as interest rates and inflation plummeted, the banks and investment houses could borrow more, earning ever-fatter profits. Wall Street could help old-fashioned banks lend more to consumers, too, by transforming debt into tradable securities and getting it off small banks' books quickly. Financiers became more and more creative, eventually threading untenable debt levels through the economy by using "exotic" debt derivatives—financial instruments whose value derived from the value of certain debt securities. These instruments were exotic only in that they escaped Depression-era rules limiting borrowing (so as to protect the greater economy from mass financial bankruptcy) and enforcing public trading of securities (so that everyone could see what was going on).

The problem wasn't "Wall Street greed," the first culprit implicated in Gasparino's subtitle, but "government mismanagement," the second. Finance was responding rationally to the government's signal. That signal got stronger in 1998, when the Federal Reserve forced the nation's big banks to rescue lenders to the Long-Term Capital Management hedge fund, which had relied on unregulated derivatives to make more than $1 trillion in promises to the rest of the financial system. The Fed stepped in because the hedge fund's failure could have bankrupted two of its creditors, Lehman Brothers and Merrill Lynch, with their bankruptcy, in turn, bankrupting others. If the Fed had failed to avert the panic, "middle America" would have learned "the definition of systemic risk," Gasparino writes. "The acute pain of systemic

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risk was certainly avoided, but so was a valuable lesson: that risk taking should have consequences."

Wall Street easily converted its permanent subsidy into hard cash. The growth and consolidation of the financial sector over the last 20 years have been dizzying, note Simon Johnson, an MIT entrepreneurship professor, and James Kwak, a former McKinsey consultant, in *13 Bankers: The Wall Street Takeover and the Next Financial Meltdown*. In 1985, Salomon Brothers boasted $122 billion in assets (in today's dollars); by 2008, Goldman Sachs had amassed $890 billion. In 1985, Salomon chief John Gutfreund took home $5.8 million (also in today's dollars); in 2007, Goldman Sachs CEO Lloyd Blankfein pulled in $54 million.

The City turned U.S. mortgage-backed debt into fodder for credit derivatives and structured investment vehicles.

Not content with removing discipline from its own financial markets, America exported its "too big to fail" policy to the rest of the world. England's version of Wall Street, the City of London, was more than happy to trade and structure the mountains of debt that the U.S. government's backing enabled banks to issue. As former banker Philip Augar writes in *Reckless: The Rise and Fall of the City*, after the mid-nineties, "the perception that the U.S. central bank would bail out markets whenever necessary" helped propel the City to new heights.

The City got creative, too, turning American mortgage-backed debt into fodder for credit derivatives and "structured investment vehicles." As the City, Wall Street's chief competitor, gained market share, the fear that America would lose more of this lucrative business to London was another reason for regulators here to tolerate untenable risks. In failing to govern new derivatives markets with clear rules, regulators let financial engineers multiply many times over the danger that housing debt posed to the economy.

America also imported the developing world's bad habits. Throughout the mid-nineties, the West had lent so much money to big, politically connected Asian industrial firms, particularly in South Korea, that the borrowers could never reasonably repay it. Global lenders had assumed that Asia's political-corporate giants "were too important for the government[s] to let them go bankrupt," Johnson and Kwak explain. The lenders proved correct in 1997 and 1998, when the Asian countries secured loans from the International Monetary Fund and rescued Western creditors with part of the money. The bailed-out lenders learned a dangerous lesson: "It's always best to invest in the firms with the most political power."

In America, Wall Street's political power derived from a very different source, Johnson and Kwak continue: its "ability to wrap itself in the ideology of homeownership." That brings us to Fannie Mae and Freddie Mac, America's two home-mortgage giants—nominally private companies that nevertheless "met virtually nobody's definition of firms in a free market," economist Thomas Sowell writes in *The Housing Boom and Bust*. Fannie and Freddie enjoyed implicit government backing, meaning that they could borrow cheaply and use the money both to guarantee mortgages against default and to buy massive portfolios of mortgage securities from lenders, so lenders could then issue even more mortgages. Policymakers endorsed this system because it made people feel richer. Americans could buy homes that they couldn't have afforded otherwise and then watch the values rise.

The government directed housing policy not by bald bureaucratic pronouncement but through financial markets. Presidents Bill Clinton and George W. Bush both had faith that markets could magically achieve government goals, with zero pain to the taxpayer and plenty of profit for the private sector. Back in the early eighties, pioneering bond guys at Salomon and Merrill Lynch, discerning that a wave of baby boomers equaled more demand for middle-class housing, had joined forces with Fannie and

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Freddie to churn out housing-backed bonds for the purpose, Gasparino writes. Clinton, a New Democrat who believed that "the business community could help achieve the aims of government," later applied the same logic to the poor, asking Fannie and Freddie to buy more mortgages for affordable housing.

Fannie and Freddie helped distend a housing market that couldn't withstand the slightest downturn. Housing, then, posed an ever-bigger danger to the economy. But regulators failed to do obvious things like requiring even modest down payments to cushion possible losses, since doing so would have made housing less "affordable" in the short term. As Sowell makes clear in detailing a century's worth of "affordable" housing policies—from the construction of the first public-housing towers in the early 1900s to the ever-growing lending quotas that banks had to meet under the 1977 Community Reinvestment Act—making housing less "affordable" would have gone against every natural instinct of nearly every politician, not just in Washington but in states and cities, too (see "Obsessive Housing Disorder," Spring 2009).

By the mid-2000s, the Wall Street firms that had so long worked with Fannie and Freddie decided that they could cut out the two lumbering middlemen and keep the profits for themselves. Banks issued mortgages without Fannie or Freddie guarantees and sold securities backed by the mortgages directly to international investors. For many critics, that's evidence that free markets caused the crisis. The true problem was just the opposite—that financiers had grown accustomed to a quarter-century's worth of risk-free, government-encouraged mortgage lending.

Meanwhile, free-market forces, hobbled though they were by governmental meddling, were trying hard to tell the world that the government's economic-development policy—supporting ever-growing financial firms to serve as conduits of debt to overextended American home buyers—wasn't working. The great thing about markets is that you don't need special access to see the truth. The hedge-fund managers whom Lewis describes in *The Big Short* had nothing but information and analysis on their side.

Take Michael Burry, manager of the Scion Capital hedge fund. Burry knew as early as 2003, as he wrote in an e-mail then, that the consequences of a lending drought "could very easily be a 50 percent drop in residential real estate" with "collateral damage likely orders of magnitude worse than anyone now considers." Burry has Asperger's syndrome, an autism-spectrum disorder that makes him prefer reading to talking. He scrutinized the thousands of pages of required disclosures that mortgage-securities salesmen had to produce, and as the 2000s advanced, he realized that loan quality had declined. From 2004 to 2005, in one sampling, borrowers' credit scores had remained the same, but they were taking out riskier mortgages. The percentage of teaser-rate mortgages had quadrupled in a single year.

Over at another fund, a unit of the Morgan Stanley–backed FrontPoint Partners, Steve Eisman took a different approach and came to the same conclusion. Eisman knew that in the nineties, smaller predecessors to the subprime-lending industry had gone bankrupt after lending too much, too fast, too cheaply, often obscuring to their customers what the true costs would be a few years down the road. Now he saw the same thing happening again. This time, however, the enablers weren't small-enough-to-fail firms; they were the giant Wall Street banks, which were packaging up the mortgages into securities, both to sell globally and to trade on their own books. Eisman's colleague Vincent Daniel smelled trouble: nearly two decades earlier, he had quit his job as a junior Arthur Andersen accountant after finding it impossible to audit an investment bank's books.

So the hedge-fund guys decided to bet against the gargantuan housing and finance businesses. They bought credit derivatives—unregulated financial instruments that would pay more and more as the value of a particular group of mortgage securities fell. The investors had no difficulty in getting Wall Street to sell them these derivatives. Burry, for one, was surprised that Deutsche Bank and Goldman Sachs, in early 2005, seemed unconcerned as he pored through

ANTHONY PLACET, COURTESY OF RANDOM HOUSE

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MIT economist Simon Johnson argues that banking has become dangerously oligarchic.

lists of mortgage securities, trying to "cherry-pick the absolute worst ones" and amassing hundreds of millions of dollars in potential payoffs.

What did give the hedge-fund guys a hard time was the feds' failure to maintain free-market infrastructure. The government didn't require a fair, transparent trading exchange—as it requires for stocks and options—for mortgage bonds and their derivatives. So unlike the prices of stocks, the prices of mortgage bonds and their derivatives weren't "determined by an open and free market," Lewis writes. They were "determined by Goldman Sachs and Bank of America and Morgan Stanley, who decided each day whether Mike Burry's credit default swaps had made or lost money." The investors feared that when the mortgages went bust, the banks would wriggle out of their obligation to pay up. And for a while, the banks *did* use their discretion to claim that the price of the mortgage bonds was rising, which allowed them to avoid paying the hedge-funders until news of losses on similar investments became too insistent to ignore.

The investors also had to account for the government's seemingly random decisions about who would get a bailout. By mid-2007, one small money-management outfit, Cornwall Capital, had bought hundreds of millions of dollars' worth of credit derivatives that would pay off if mortgage values fell. But Cornwall had bought much of the protection from Bear Stearns, and that summer, two of Bear's own hedge funds went belly-up because of mortgage losses. Realizing that Bear could likewise go bankrupt and fail to pay up on the derivatives, Cornwall quickly sold them to another bank, the Swiss giant UBS. UBS expressed not "the faintest reservations that they were now assuming the risk that Bear Stearns might fail," Lewis writes. Why not? UBS likely understood the politics and figured that the U.S. government would keep Bear from collapsing. As it turned out, UBS was right, and Cornwall could have safely kept the derivatives. But if Cornwall had bought them from, say, Lehman—which the government decided *not* to bail out—they would have been worthless.

In the end, the market realized—with explosive consequences—that the hedge-fund managers were correct about the value of mortgage bonds. Remember Eisman's complaint about the absence of an "authority" to check the excesses of the market? That authority was Eisman himself.

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He, his colleagues, and his competitors took on the twin pillars of stealthy central planning in America's economy: our too-big-to-fail financial system and our government policy of universal homeownership. And they won.

In the late summer and autumn of 2008, the Treasury Department and the Federal Reserve embarked upon the deepest interventions in the (nominally) private sector that America had ever seen. Overseeing the Treasury was Hank Paulson, the former Goldman chief, who in his recent book, *On The Brink: Inside the Race to Stop the Collapse of the Global Financial System*, comes across as a decent man thrust into an unwinnable position. Paulson writes—in the passive voice, tellingly—that in September and October 2008, he "had been forced to do things I did not believe in to save what I did believe in." But decent men are no substitute for consistent rules that mark a clear line between the public and private sectors. As Paulson's book, along with *New York Times* reporter Andrew Ross Sorkin's *Too Big to Fail: The Inside Story of How Wall Street and Washington Fought to Save the Financial System—and Themselves*, makes clear, rules and lines vanished altogether in autumn 2008—and Washington's arbitrary actions back then created precedents that now seem certain to lead to the *next* crisis.

That autumn was a watershed. The Treasury and the Fed spent the first weekend of September bailing out Fannie's and Freddie's creditors by nationalizing both behemoths. In the second weekend, the government refused to bail out creditors to Lehman Brothers. After Lehman's collapse cratered the financial system, the Treasury and the Fed concocted the most complex bailout in history to save insurer AIG's creditors, including banks owed tens of billions of dollars on mortgage-related credit derivatives. And in early October, Congress passed the Troubled Asset Relief Program (TARP). Using TARP's authority and other measures, Paulson, along with the FDIC and the Fed, forcibly injected capital into the nation's biggest banks. The government also guaranteed new debt issued by banks' corporate holding companies, thus encouraging investors worldwide to buy it, which helped the banks and investment firms pay off their panicked short-term lenders.

TARP's forced capital injections sought to thwart the markets' distinguishing between good banks and bad. It had long been clear, as *New York Times Magazine* writer Roger Lowenstein shows in *The End of Wall Street*, that Citigroup's executives were far less competent than, say, JPMorgan Chase's. In late 2006, while Citigroup continued to lend freely, JPMorgan chief Jamie Dimon noticed that people had stopped paying their mortgages even as they paid other debt. Dimon told his employees to "sell or hedge" some of their exposure to mortgage and other debt, and in his annual report, he soberly projected losses, saying that his intention was not to worry shareholders but to prepare them. Meantime, in *his* annual report, Citigroup chief Charles Prince devoted "precisely two sentences to credit markets," which he said could suffer only "moderate deterioration," Lowenstein notes.

Since the crisis started, markets have easily distinguished between the well-managed JPMorgan Chase and the too-big-to-manage Citigroup. But the Citi bailout has kept the economy from benefiting enough from that distinction. To this day, investors continue to direct capital to Citigroup, knowing that the government will never let it fail. The economy could put that capital to better use elsewhere—in a superior bank, or a company outside finance altogether.

Similarly deep differences existed among investment banks—differences that bailouts muted but couldn't obliterate. Bear Stearns, for example, relied dangerously on short-term funding markets, which left it acutely vulnerable to a panic. Conversely, Goldman Sachs was obsessed with having cash on hand for an emergency. "To be on the safe side, we kept a lockbox at the Bank of New York filled with bonds that we never invested or lent out," Paulson remembers of his Goldman days. "Knowing we had that cushion helped me sleep at night."

The extent to which government threw away the rule of law in 2008 was shocking. Paulson kicks his book off with a description of his forced nationalization of Fannie and Freddie, observing

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that his subordinates' concern—that the politically coddled mortgage giants would fight the effort—was groundless: "I didn't think they completely recognized the awesome power of government and what it would mean for Ben [Bernanke, the Federal Reserve chairman] and me to sit across from the boards of Fannie Mae and Freddie Mac and tell them what we thought was necessary for them to do." Paulson instinctively used threats in his meeting with the two companies' management. If they resigned and handed over the reins quietly, he told Fannie's and Freddie's executives, he wouldn't blame them for the firms' failure. "I left unspoken what I would say publicly if they didn't acquiesce."

Using government might to bully two nominally private firms makes it easier to do the same to others. As the crisis intensified in 2008, the government threw companies together in shotgun marriages, even as the firms sometimes resisted. Tim Geithner, then the president of the New York Fed, tried to force Jamie Dimon to merge JPMorgan with the flailing Morgan Stanley; Dimon repeatedly had to ward off Geithner and his colleagues with firm noes. On another occasion, Geithner "insisted" that Goldman's Lloyd Blankfein call Citigroup chief Vikram Pandit to launch a merger. Blankfein was "shocked at the directness of the request," Sorkin writes. Thanks to management resistance, the craziest of these mergers—Goldman and Citi—never happened.

Using government might to bully two nominally private firms makes it easier to do the same to others.

But the result of all the "successful" deals is an even more concentrated and hard-to-manage financial industry, made up of firms immune to market discipline because the economy can't withstand their failure. Consider Bank of America's purchase of Merrill Lynch. In December 2008, Bank of America head Ken Lewis came to Paulson, threatening to back out of the deal as Merrill Lynch's losses piled up. Paulson asserted that such a decision could, in the government's eyes, represent a catastrophic error in judgment—one that would justify the Federal Reserve in removing Bank of America's management. (Lewis, for his part, probably made his threat in order to secure more bailout money; it isn't good for the nation that financial executives have tried to hone their skill at gaming their arbitrary political overlords.)

It was Blankfein who best voiced the danger of the government's actions. During that second week in September, the Treasury and the Fed sought to avert the Lehman bankruptcy by forcing the firm's competitors to purchase its worst assets and then getting Britain's Barclays Capital to buy the rest. "We must be responsible for our own balance sheet and now we're responsible for others?" Blankfein objected at the gathering of bank chiefs that Paulson and Geithner had convened. Blankfein's argument "had to trouble every free-marketer in the room," Paulson muses. "Potential investors assessing any bank's balance sheets would have to consider . . . whether it had properly accounted for the risk that it might have to bail out any one of its competitors." But at the time, Paulson—who had once helped Goldman amass that big cash cushion to protect it from the unforeseeable—had no problem asking Goldman to endanger it to blunt the impact of a competing firm's failure to do the same. Even aside from their unfairness, such government-arranged rescues of the weak by the strong injure the best-managed companies, thus hurting the economy.

It's appalling, too, that Bush staffers toyed with the idea of asking the president to call Chinese leader Hu Jintao in order to arrange an investment in Morgan Stanley by a Chinese-owned financial firm. In Paulson's plan, Bush would make clear to Hu that if the Chinese company invested, America would make sure that it wouldn't lose its money. Paulson recalls that "any such contact would have to be set up carefully, because the president of the United States should not appear to directly ask the president of China to invest in a U.S. institution." Indeed.

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Washington's extraordinary actions are now precedent, most of the authors agree. What was once a "vague expectation" that government would rescue financial firms in a crisis is now "a virtual certainty," Johnson and Kwak write. Nouriel Roubini, the New York University professor who famously saw the disaster early, and Stephen Mihm, a history professor at the University of Georgia, note in *Crisis Economics: A Crash Course in the Future of Finance* that "the Fed has sent a clear message to the financial markets that it will do almost anything and everything to prevent a financial crisis from spinning out of control." Says Lowenstein: "Wall Street institutions emerged from the crisis more protected than ever." Even the one exception to "too big to fail" seems to prove the new rule: it's now conventional wisdom in Washington that letting Lehman collapse was a mistake.

Federal officials are egotistical and short-termist enough to think that today's pronouncements—*No more bailouts, and this time we mean it!*—matter more than yesterday's actions. Paulson offers a few accidental laughs in this respect. When he was trying to strong-arm competing financial firms into bailing out Lehman, he recalls, he told executives and the press that "there could be no government money involved in any rescue. I knew that unless I explicitly said this, some of them might think that Good Old Hank would come to the rescue." And in the case of Lehman, he was telling the truth. But why should the bankers have believed him when a quarter-century's worth of precedent, including a bailout of Fannie's and Freddie's bondholders just a week earlier, contradicted him—and when, two days later, the government bailed out AIG?

What Washington has created, then, is best summed up in Johnson and Kwak's title. The "13 bankers" are the CEOs of the surviving big banks, whom President Obama summoned to the White House just weeks after his inauguration. Obama had convened the bankers to show the public that he was firmly in command of the institutions that the government had rescued. But what markets perceived was protection. "It was clear that the thirteen bankers needed the government," Johnson and Kwak write. "But why did the government need the bankers?" In pumping trillions of dollars in cash and guarantees into the financial system without demanding change, Johnson and Kwak say, we risk creating a "uniquely American oligarchy"—one that will harm America's growth, just as similar oligarchies have harmed other nations' growth throughout history.

The financial fixes that Congress seems about to pass as *City Journal* goes to press would further entrench this oligarchy and institutionalize Washington's 2008 powers. Consider the creation of a "financial stability oversight council," a centerpiece of the new financial-regulatory reform bill. The council would supposedly end "too big to fail" by preventing failure in the first place. But markets will know that this is impossible. A stability overseer can't predict the future any better than other Washington bureaucracies could. As Paulson admits about his first Camp David meeting with President Bush in 2006, "notably absent from my presentation was any mention of problems in housing or mortgages." This omission came at a time when the hedge-fund guys whom Lewis chronicles were largely done making their bets against the mortgage market. Couldn't the council just listen to guys like Mike Burry? Impossible: Washington groupthinkers are never *ever* going to take advice from people who don't spout the conventional wisdom.

Congress also seems oblivious to the fact that, throughout history, financial crises have come about because of two factors: too much debt and too much hidden risk. That's why Roubini and Mihm rightly call for a "robust set of simple rules"—not coincidentally, largely the same ones that governed finance from the thirties through the eighties, when financial crises were rarer and milder than today—to prevent future crises. Forcing credit derivatives onto stock-market-style public exchanges and limiting borrowing across financial firms and instruments "should be absolute and should be applied across the board," they say, with heavy borrowing restrictions and disclosure requirements for any "customized" derivatives. In fact, they would go even further, separating commercial and investment banks to break "too-big-to-fail" giants into smaller units that pose less risk to the economy. Not even the more modest of these steps, however, is in the congressional bill.

NAJLAH FEANNY/CORBIS

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As the *New York Times*'s Andrew Ross Sorkin has reported, traditional rules went out the window as the crisis began in 2008.

Somewhere, small-time money managers are making bets against the new conventional wisdom, just as they bet against the government's housing-and-banking monolith half a decade ago. But it's harder now. Banks can borrow at the Federal Reserve's zero-percent interest rates, artificially inflating asset prices. The Fed itself has bought a trillion dollars' worth of mortgages, keeping securities and home prices too high. Washington has let banks carry overvalued securities on their books, delaying necessary price corrections to jump-start the real market. The too-big-to-fail financial firms, thanks to mergers encouraged by the government, are bigger and more powerful than ever, with just five banks controlling nearly all of the credit-derivatives market, meaning that they can delay the results of their future mistakes for longer. Investors can't analyze just markets and companies any more; they also have to figure out what arbitrary moves the government will make. And as Wall Street and Washington both depend increasingly on the issuance of cheap government debt, the two partners have an even bigger incentive to warp the free-market infrastructure so that dissenting voices have a harder time getting vital information across to the economy.

Most American politicians would laugh at solutions like the ones that French economist Jacques Attali proposes in his book *After the Crisis: How Did This Happen?* Attali would like to see "a Keynesian state on a global level" that would "set up supranational regulation and governance" and "launch great worldwide projects aimed at reorientating growth" toward government-approved projects. Central planning? How un-American!

Yet to some degree, we've already been following this path for decades: deficit spending and willfully "orientating" growth toward the housing and financial sectors, expanding on John Maynard Keynes's suggestions that government control demand. America's pols should be honest about what their fixes and non-fixes amount to: yet more central planning, which jeopardizes our sovereign credit, endangers the Western world's ability to grow its way out of a crippling recession, and makes it even harder for free markets to fight government mistakes.

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The Bucks Stop Here

New York governors have the power they need to control spending.

E. J. McMahon

Is New York State ungovernable? Back in April, David Paterson seemed to think so. Confounded by the legislature's paralysis in the face of a deepening fiscal crisis, the lame-duck governor complained to the *Wall Street Journal* that New York lacked "a structure that empowers a single leader to get his or her state out of a major conflict." Being governor, Paterson said, was "kind of like being in quicksand. You can move around a lot, but it just makes the problem worse."

Albany's muck seems deeper than ever, its challenges growing in tandem with a projected deficit that approached $10 billion while the legislature was still dawdling on a new budget in early June. Under the circumstances, it's tempting to conclude that the fiscal chasm will swallow up the next governor, whether that turns out to be Attorney General Andrew Cuomo, the Democratic nominee and front-runner; former congressman Rick Lazio, the Republican designee; or even the Tea Party–oriented GOP insurgent, Carl Paladino.

But that conclusion is wrong. In fact, Paterson himself has recently been demonstrating how much power his successor will have to reshape the Empire State's battered finances. The state's constitution puts the governor squarely in the budgetary driver's seat. And though recent history seems to belie it, the budget laws actually work to restrain spending—if the governor has the backbone to stand up to the legislature.

Until 1927, New York State's budget was a messy stew of appropriations bills that legislators concocted with little oversight from the governor. Alfred E. Smith, who governed the state for most of the 1920s, was frustrated by his limited ability to control spending. So that year, his bipartisan reform coalition supported—and New York voters approved—amendments

Illustration by Arnold Roth

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to the state constitution that established executive budgets.

Under Smith's system, which is still in effect today, New York's annual state budget process begins with a proposal from the executive branch—as in the federal government. But that's where the similarity between Albany and Washington ends. At the federal level, House and Senate committees draft all appropriations bills, and Congress is under no obligation to adopt any of the president's budget recommendations. In New York, by contrast, the governor's "complete plan of expenditures," including appropriations bills and supporting statutes, is automatically introduced in the legislature.

Further, the legislature's ability to alter these bills is tightly limited. Lawmakers can add to appropriations but only "provided that such additions are stated separately and distinctly from the original items of the bill and refer each to a single object or purpose." The governor then has the power to veto these additions, and only a two-thirds vote of each house of the legislature—the Assembly and the Senate—can override his veto. Legislators do have the power to "strike or reduce" proposed items of appropriation, in which case the governor can do nothing about it—but that power should lead to reducing, not increasing, spending. And the legislature cannot consider any other appropriation until all the governor's bills have been "finally acted upon." This effectively allows the governor to frame the budget debate and forces the legislature to deal with the budget on his terms. (New York's governor lacks the power that many of his counterparts in other states possess to "impound" or withhold spending if a sudden imbalance develops after the adoption of a budget. This makes it even more important for New York to enact a prudent spending plan in the first place.)

Almost from the moment that Governor Franklin D. Roosevelt presented the first executive budget in 1929, the legislature began pushing back, seeking to expand its power to modify spending bills or to get around other provisions of the law. But in a series of landmark decisions, state courts have usually sided with the governor. The most recent court victory for executive power came in 2004, when New York's highest court ruled that the legislature had overstepped its constitutional bounds when it tried to amend appropriations bills submitted by Governor George Pataki. In 2005, the legislature sought to retaliate by asking voters to approve a constitutional amendment that would have rolled back some of the governor's powers. But New Yorkers voted a resounding no, leaving the governor more powerful than ever.

If the governor has all this power, why was New York State still operating without a budget this June, even though the 2010–11 fiscal year had begun two months earlier? Because—subject to the limitations of the executive budget—only the legislature can appropriate money or raise taxes. But New York's governor has one more power: when the state begins its fiscal year without a budget—which has been the case, more often than not, over the past 25 years—the weekly spending "extender" bills necessary to keep the government functioning must also originate in the executive branch. The 2004 court ruling on the executive's budget-drafting power clarified the governor's ability to use emergency bills to pressure legislators into voting on cuts that they would rather postpone or avoid.

Both Pataki and his successor, Eliot Spitzer, refrained from exploiting this opening. So did Paterson at first. But this year, freed from the constraints of an election campaign and fed up with the legislature's inaction, Paterson began using the temporary bills to advance his budget-reduction proposals on a piecemeal basis. By mid-June, while the state technically was still operating without a new budget, nearly *two-thirds* of the total 2010–11 budget had been enacted as part of the governor's temporary bills. This included $50 billion in Medicaid appropriations, which reflected a net reduction of $385 million in Medicaid and other health-related spending from the previous year.

While the final budget was hardly a fiscally conservative product—it will hammer the state's economy with $1.2 billion in tax and fee increases—Paterson had become a force to be reckoned with. This in itself was remarkable. Only a few months earlier, he had withdrawn from the

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governor's race after allegations that he had improperly interfered in a domestic-violence case involving his top aide. In March, his approval rating in one statewide poll stood at just 25 percent, even lower than that of his predecessor, Spitzer, who had been disgraced in a prostitution scandal. Yet as Paterson demonstrated, even the weakest governor can become formidable by effectively wielding New York's executive budget laws.

The next governor will have another edge, one that gave Paterson crucial leverage this year. For the first time in years, the governor's threat to veto new spending proposed by the legislature is actually credible. Earlier this decade, Pataki's relations with the Republican Senate majority leader, Joseph Bruno, soured, leading Bruno to ally himself with the Democratic Assembly speaker, Sheldon Silver of Manhattan, who has long controlled an overwhelming majority of Assembly seats. The Senate's Democratic minority lined up against the governor as well. Pataki's vetoes of tax hikes and billions of dollars in spending were repeatedly overridden, mostly by unanimous votes in the Senate.

In 2008, Democrats recaptured control of the Senate by a narrow two-seat majority. Their factiousness, combined with Bruno's preelection resignation to face federal influence-peddling charges, led Republicans to become born-again fiscal conservatives, signaling that they could no longer be counted on to help block gubernatorial vetoes of extra spending. The new dynamic wasn't relevant in 2009, when Paterson and legislative Democrats agreed on a budget partly financed by a huge, supposedly temporary, income-tax increase. But this year, Democrats knew that trying to add or restore spending to Paterson's temporary budget bills without the governor's agreement would prove futile, since the Senate would be incapable of overriding his veto. The lesson for the next governor is obvious: in seeking to goad the legislature's majorities into accepting fiscal discipline, he should not ignore the minorities.

Of course, the governor's powers are worthless if he lacks a consistent and carefully prioritized agenda, which has been Paterson's shortcoming throughout his troubled tenure. What's needed above all, in Alexander Hamilton's words, is "energy in the executive." George Pataki's name might not be the first that comes to mind in connection with that phrase, but the first of his three terms as governor nevertheless provides a few examples of how an energetic, focused governor can achieve real change.

For the first time in years, the governor's threat to veto new spending proposed by the legislature is actually credible.

In 1996, Pataki sought passage of a major workers' compensation reform package supported by employer groups. The reforms had stalled for years because they included the repeal of a liability loophole cherished by trial lawyers, whose closest ally in Albany has long been Speaker Silver. But Pataki refused to agree to a budget deal that Silver wanted until the bill passed, and Silver ultimately folded. Two years later, Pataki won approval of the law that first authorized charter schools in New York, despite opposition from the state's muscular teachers' unions and the Assembly speaker. The governor's leverage that year was even more powerful: in exchange for the charter-school bill, he signed off on a pay increase for state legislators.

New Yorkers who think that the next governor can't turn the state around should keep in mind the pull he has under the budget laws. And those who assume that fundamental changes like a tax cap or public-pension reform are hopeless should keep something else in mind: it's been 12 long years since lawmakers last got a raise.

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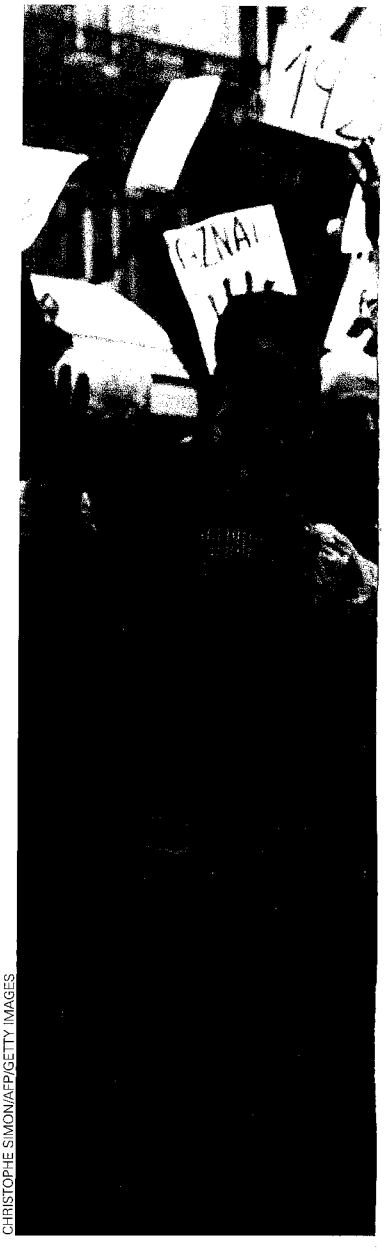
Europe's Guilty Conscience

Self-hatred is paralyzing the Continent.



CHRISTOPHE SIMON/AFP/GETTY IMAGES

Pascal Bruckner

Europe is not aging gracefully. More than half a century after it began taking the steps that eventually resulted in the European Union, it is at best a vast market without a consistent military or political personality—and one that matters less and less in world affairs. Henry Kissinger's old witticism about Europe's having no phone number is more relevant than ever. What happened? One can cite a number of factors: the persistence of nationalist egoism; the excessive importance of the EU's two major founders, France and Germany; Great Britain's aloofness and readiness to follow Washington's instructions; the imbalance created by the influx of former Soviet satellites. But more decisive than any of these reasons is that since the end of World War II, Europe has been tormented by a need to repent.

Brooding over its past crimes (slavery, imperialism, fascism, communism), Europe sees its history as a series of murders and depredations that culminated in two global conflicts. The average European, male or female, is an extremely sensitive being, always ready to feel pity for the world's sorrows and to take responsibility for them, always asking what the North can do for the South rather than asking what the South can do for itself. Those born after World War II are endowed with the certainty of belonging to the dregs of humanity, an execrable civilization that has dominated and pillaged most of the world for centuries in the name of the superiority of the white man. Since 9/11, for example, a majority of Europeans have felt, despite our sympathy for the victims, that the Americans got what they deserved. The same reasoning prevailed with respect to the terrorist attacks on Madrid in 2004 and on London in 2005, when many good souls, on both the right and the left, portrayed the attackers as unfortunate people

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Spanish protesters blaming not al-Qaida but their own government for the 2004 Madrid bombings

protesting Europe's insolent wealth, its aggression in Iraq or Afghanistan, or its way of life.

urope has surely engendered monsters. But it has, at the same time, engendered the ideas that made it possible to slay monsters. European history is a succession of paradoxes: arbitrary feudal power gave rise to democracy; ecclesiastical oppression, to freedom of conscience; national rivalries, to the dream of a supranational community; overseas conquests, to anticolonialism; and revolutionary ideologies, to the antitotalitarian movement. Europe sent armies, missionaries, and merchants to distant lands, but also invented anthropology, which is a way of seeing through others' eyes, of standing at some distance from oneself in order to approach the stranger. The colonial adventure died of this fundamental contradiction: the subjection of continents to the laws of a mother country that at the same time taught its subjects the idea of a nation's right to govern itself. In demanding independence, the colonies were applying to their masters the very rules that they had learned from them.

Since the time of the conquistadors, Europe has perfected the art of joining progress and cruelty. But a civilization responsible for the worst atrocities as well as the most sublime accomplishments cannot understand itself solely in terms of guilt. The suspicion that colors our most brilliant successes always risks degenerating into self-hatred and facile defeatism. We now live on self-denunciation, as if permanently indebted to the poor, the destitute, to immigrants—as if our only duty were expiation, endless expiation, restoring

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without limit what we had taken from humanity from the beginning. This wave of repentance spreads through our latitudes and our governments like an epidemic. An active conscience is a fine and healthy thing, of course. But contrition must not be limited to certain parties while innocence is accorded to anyone who claims to be persecuted.

The United States, despite its own faults, retains the capacity to combine self-criticism with self-affirmation, demonstrating a pride that we lack. But Europe's worst enemy is Europe itself, with its penitential view of its past, its corrosive guilt, and a scrupulousness taken to the point of paralysis. How can we expect to be respected if we do not respect ourselves, if our media and our literature always depict us by our blackest traits? The truth is that Europeans do not like themselves, or at least do not like themselves enough to overcome their distaste and to show the kind of quasi-religious fervor for their culture that is so striking in Americans.

We too often forget that modern Europe was born not during a time of enthusiastic historical rebeginning, as was the United States, but from a weariness of slaughter. It took the total disaster of the twentieth century, embodied in Verdun and Auschwitz, for the Old World to happen upon virtue, like an aging trollop who moves directly from debauchery to fervent religious belief. Without the two global conflicts and their parade of horrors, we would never have known this aspiration for peace—which is often hard to distinguish from an aspiration for rest. We became wise, perhaps, but with the force-fed wisdom of a people brutalized by carnage and resigned to modest projects. The only ambition we have left is to escape the furies of our age and to confine ourselves to the administration of economic and social matters.

While America is a project, Europe is a sorrow. Before long, it will amount to little except the residue of abandoned dreams. We dreamed of a great diversity where we might live well, seek personal fulfillment, and, if possible, get rich—and all this in proximity to great works of culture. This was a worthwhile project, to be sure, and such a calm condition would be perfect in a time of great serenity, in a world that had finally achieved Kant's "perpetual peace." But there is a striking contrast between the stories that we Europeans tell ourselves about rights, tolerance, and multilateralism and the tragedies that we witness in the surrounding world—in autocratic Russia, aggressive Iran, arrogant China, a divided Middle East. We see them, too, in the heart of our great cities, in the double offensive of Islamist terrorism and fundamentalist groups aiming to colonize minds and hearts and Islamize Europe.

There is nothing more insidious than a collective guilt passed down from generation to generation, dyeing a people with a kind of permanent stain. Contrition cannot define a political order. As there is no hereditary transmission of victim status, so there is no transmission of oppressor status. The duty of remembering implies neither the automatic purity nor the automatic corruption of grandchildren and great-grandchildren. History is not divided between sinner nations and angelic ones but between democracies, which recognize their faults, and dictatorships, which drape themselves in the robes of martyrs. We have learned over the last half-century that every state is founded on crime and coercion, including those that have recently appeared on history's stage. But there are states capable of recognizing this and of looking barbarism in the eye, and there are others that excuse their present misdeeds by citing yesterday's oppression.

Remember this simple fact: Europe has vanquished its most horrible monsters. Slavery was abolished, colonialism abandoned, fascism defeated, and communism brought to its knees. What other continent can claim more? In the end, the good prevailed over the abominable. Europe is the Holocaust, but it is also the destruction of Nazism; it is the Gulag, but also the fall of the Wall; imperialism, but also decolonization; slavery, but also abolition. In each case, there is a form of violence that is not only left behind but delegitimized, a twofold progress in civilization and in law. At the end of the day, freedom prevailed over oppression, which is why life is better in Europe than on many other continents and why people from the rest of the world are knocking on Europe's door while Europe wallows in guilt.

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urope no longer believes in evil but only in misunderstandings to be resolved by discussion and dialogue. She no longer has enemies but only partners. If she is nice to extremists, she thinks, they will be nice to her, and she will be able to disarm their aggressiveness and soften them up. Europe no longer likes History, for History is a nightmare, a minefield from which she escaped at great cost, first in 1945 and then again in 1989. And since History goes on without us, and everywhere emergent nations are recovering their dignity, their power, and their aggressiveness, Europe leaves it to the Americans to be in charge, while reserving the right to criticize them violently when they go astray. It is notable that Europe is the only region in the world where military budgets go down every year; we have no armies that would be able to defend our frontiers if we were so unlucky as to be attacked; after the Haitian crisis, Brussels could not dispatch even a few thousand men to help disaster victims. We are well equipped to calibrate the size of bananas or the composition of cheeses, but not to create a military force worthy of the name.

Europe no longer believes in evil but only in misunderstandings to be resolved by discussion and dialogue.

In its worst moments, Europe seeks peace at any price, even what Saint Thomas Aquinas called a bad peace—one that consecrates injustice, arbitrary power, and terror, a detestable peace heavy with vicious consequences. Europe postulates freedom for all but is content with just its own. It *has* a history, whereas America is still *making* history, animated by an eschatological tension toward the future. If the latter sometimes makes major mistakes, the former makes none because it attempts nothing. For Europe, prudence no longer consists in the art, defended by the ancients, of finding one's way within an uncertain story. We hate America because she makes a difference. We prefer Europe because she is not a threat. Our repulsion represents a kind of homage, and our sympathy a kind of contempt.

What is the point of our bad conscience? To purge our faults and to avoid falling back into old errors? Perhaps. But it serves mainly to justify renouncing political action. If the Old World invariably prefers guilt to responsibility, it is because the first is less burdensome; so one puts up with a guilty conscience. Our lazy despair leads us not to fight injustice but to coexist with it. We delight in tranquil impotence, and we take up residence in a peaceful hell. We allow ourselves to be overwhelmed with words of blame, a role we willingly adopt so as to be accountable to no one and to avoid taking any part in world affairs. Remorse is a mixture of good will and bad faith: a sincere desire to close old wounds and a secret wish to be left alone. Eventually, indebtedness to the dead prevails over duty to the living. Repentance makes of us a people who apologize for old crimes in order to ignore present ones.

urope has developed a veritable fanaticism for modesty, but if it cannot preside over the destinies of the whole world, it must at least play a part, retain its special voice in favor of justice and law, and assume the political and military means to make itself heard. Penitence is finally a political choice; it is to choose an abdication that in no way immunizes us against mistakes. Fear of repeating yesterday's errors makes us too indulgent of contemporary outrages. By preferring injustice to disorder, the Old World risks being swept away by chaos, the victim of a renunciation mistaken for wisdom.

We long thought that Europe was the future of Switzerland. But what if the opposite were true? What if Switzerland is the future of Europe—what if we are threatened by Helvetization? In that case, our continent, aging and in decline, would be reduced to a high-class sanatorium—ready to be dismembered piece by piece by all predators and to renounce its freedom to gain just a little more quiet and comfort.

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The Nakba Obsession

The Palestinian national narrative is the biggest obstacle to peace in the Middle East.

Sol Stern

A specter is haunting the prospective Israeli-Palestinian peace negotiations—the specter of the Nakba. The literal meaning of the Arabic word is "disaster"; but in its current, expansive usage, it connotes a historical catastrophe inflicted on an innocent and blameless people (in this case, the Palestinians) by an overpowering outside force (international Zionism). The Nakba is the heart of the Palestinians' backward-looking national narrative, which depicts the creation of the State of Israel in 1948 as the original sin that dispossessed the land's native people. Every year, on the anniversary of Israel's independence, more and more Palestinians (including Arab citizens of Israel) commemorate the Nakba with pageants that express longing for a lost paradise. Every year, the legend grows of the crimes committed against the Palestinians in 1948, crimes now routinely equated with the Holocaust. Echoing the Nakba narrative is an international coalition of leftists that celebrates the Palestinians as the quintessential Other, the last victims of Western racism and colonialism.

There is only one just compensation for the long history of suffering, say the Palestinians and their allies: turning the clock back to 1948. This would entail ending the "Zionist hegemony" and replacing it with a single, secular, democratic state shared by Arabs and Jews. All Palestinian refugees—not just those still alive of the hundreds of thousands who fled in 1948, but their millions of descendants as well—would be allowed to return to Jaffa, Haifa, the Galilee, and all the villages that Palestinian Arabs once occupied.

BETTMANN/CORBIS

Palestinian refugees flee the 1948 Arab-Israeli war.

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Such a step would mean suicide for Israel as a Jewish state, which is why Israel would never countenance it. At the very least, then, the Nakba narrative precludes Middle East peace. But it's also, as it happens, a myth—a radical distortion of history.

If words have any meaning, it is certainly accurate to describe the outcome of the 1948 war as a catastrophe for the Palestinians. Between 600,000 and 700,000 men, women, and children—even more, depending on who is telling the story—left their homes. Palestinian civil society disintegrated. At the war's end, the refugees dispersed to the Jordanian-occupied West Bank, the Egyptian-occupied Gaza Strip, and neighboring Arab countries. Many lived in tents, eking out a bare subsistence, and were then denied the right to return to their homes by the new State of Israel.

During the 1948 war and for many years afterward, the Western world—including the international Left—expressed hardly any moral outrage about the Palestinian refugees. This had nothing to do with Western racism or colonialism and much to do with recent history. The fighting in Palestine had broken out only two years after the end of the costliest military conflict ever, in which the victors exacted a terrible price on the losers. By that, I don't mean the Nazi officials and their "willing executioners," who received less punishment than they deserved, but the 11 million ethnic Germans living in Central and Eastern Europe—civilians all—who were expelled from their homes and force-marched to Germany by the Red Army, with help from the Czech and Polish governments and with the approval of Roosevelt and Churchill. Historians estimate that 2 million died on the way. Around the same time, the Indian subcontinent was divided into two new countries, India and Pakistan; millions of Hindus and Muslims moved from one to the other, and hundreds of thousands died in related violence. Against this background, the West was not likely to be troubled by the exodus of a little more than half a million Palestinians after a war launched by their own leaders.

In the 1940s, moreover, most of the international Left actually championed the creation of a Jewish state in Palestine. It was widely noted that the new state would be led by self-proclaimed socialists. Statehood for the Jews was supported by the Soviet Union and by the Truman administration's most progressive elements. The Palestinians were also compromised by the fact that their leader in 1948, Grand Mufti Haj Amin al-Husseini, had been a Nazi collaborator during the war.

In fact, I. F. Stone, the most revered left-wing journalist of the day, was one of the most influential American advocates for the Zionist cause. I have in my possession a book by Stone called *This Is Israel*, distributed by Boni and Gaer, a major commercial publisher at the time. The book, based on Stone's reporting during the 1948 Arab-Israeli war, has become a collector's item by virtue of the fact that Stone's fans want to forget that it ever existed. Of the four adoring biographies of the great muckraker published in the last decade, only one even mentions that Stone wrote *This Is Israel*—and then shrugs off its significance in a few paragraphs.

It's obvious why the book would be embarrassing to today's leftist critics of Israel and Zionism. It opens with a foreword by Bartley Crum, the prominent American lawyer, businessman, and publisher of *PM*, the most widely read progressive newspaper of the 1940s. Crum evokes "the miracles [that the Israelis] have performed in peace and war. . . . They have built beautiful modern cities, such as Tel Aviv and Haifa on the edge of the wilderness. . . . They have set up a government which is a model of democracy." His friend and star correspondent, Izzy Stone, has "set down what he knows and what he has seen, simply, truthfully and eloquently." We Americans, Crum concludes, "can, through this book, warm ourselves in the glory of a free people who made a two thousand year dream come true in their own free land."

Accompanied by famed war photographer Robert Capa's iconic images of male and female Israeli soldiers, Stone's text reads like a heroic epic. He writes of newborn Israel as a "tiny bridgehead" of 650,000 up against 30 million Arabs and 300 million Muslims and argues that Israel's

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"precarious borders," created by the United Nations' November 1947 partition resolution, are almost indefensible. "Arab leaders made no secret of their intentions," Stone writes, and then quotes the head of the Arab League, Abdul Rahman Azzam: "This war will be a war of extermination and a momentous massacre which will be spoken of like the Mongol massacres and the Crusades."

Palestinian leaders reminded Stone of the fascists he had fought with his pen since the Spanish Civil War. He ticks off the names of several Nazi collaborators prominent among the Arab military units that poured into Palestine after passage of the UN's resolution. In addition to the grand mufti, they included the head of the Arab Liberation Army, Fawzi el-Kaukji, who took part in the fascist revolt against the British in Iraq in 1940 and then escaped to Berlin, where he recruited Balkan Muslims for the Wehrmacht. Another Palestinian military commander, Sheik Hassan Bey Salameh, was a "former staff officer under Rommel," Stone writes. "Salameh had last appeared in Palestine in 1944 when he was dropped as a Reichswehr major for sabotage duties." For good measure, Stone adds, "German Nazis, Polish reactionaries, Yugoslav Chetniks, and Bosnian Moslems flocked [into Palestine] for the war against the Jews."

And how does Stone explain the war's surprising outcome and the sudden exodus of the Palestinian Arabs? "Ill-armed, outnumbered, however desperate their circumstances, the Jews stood fast." The Palestinians, by contrast, began to run away almost as soon as the fighting began. "First the wealthiest families went," Stone recounts. "While the Arab guerrillas were moving in, the Arab civilian population was moving out." Stone blames the grand mufti for giving explicit orders to the Palestinians to abandon Haifa, which had the largest Arab community of any city assigned to the Jewish state under the UN's partition plan.

What is most revealing about the book is the issue that Stone does *not* write about: the fate of the refugees after their exodus. Stone undoubtedly shared the conventional wisdom at the time: that wars inevitably produced refugees and that the problem was best handled by resettlement in the countries to which those refugees moved. Stone surely expected that the Arab countries to which the Palestinian refugees had moved would eventually absorb them as full citizens. That outcome wouldn't be perfect justice, but it would limit Palestinian suffering and open the doors to a reasonable and permanent settlement of the conflict. Stone also knew that Israel was in the process of absorbing an almost equal number of impoverished Jewish refugees from the Arab countries, most of whom had been forced out of their homes and lost all their property in places where they had lived for hundreds of years.

Stone could never have foreseen that for the next 62 years, the Palestinians would remain in those terrible refugee camps—not just in the West Bank and the Gaza Strip but in Lebanon, Syria, and present-day Jordan as well. Nor could Stone have imagined that not one Arab country would move to absorb the refugees and offer them citizenship, or that the Palestinians' leaders would insist on keeping the refugees locked up in the camps for the purpose of dramatizing their Nakba narrative.

tone's reporting on the 1948 war has turned out to be a pretty decent "first rough draft of history," to quote publisher Philip Graham's definition of journalism. But that's a judgment that Stone himself discarded, as the Left gradually abandoned Israel over the next 30 years and accepted the Palestinians' portrayal of their nakba as *the* Nakba—a capitalized instance of world-historical evil.

In Stone's later writing about the Arab-Israeli conflict, he was at pains to forget what he had said in *This Is Israel*. Moving in lockstep with the Left, he had turned into a scathing critic of Israel by 1967, castigating the Zionists for "moral myopia" and lack of compassion in *The New York Review of Books*. His turnabout was so complete that by 1979, the West's foremost champion of the Palestinians, Edward Said, paid homage to Stone and to Noam Chomsky as two of the few Jewish intellectuals who had "tried to see what Zionism did to the Palestinians not just once in 1948, but over the years." The Columbia University scholar obviously didn't know about, or didn't want to know about, *This Is Israel*.

Revisionist historiography also appeared to nullify Stone's earlier journalism. Starting in the

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mid-1980s, a group of self-styled "new historians" in Israel began debunking (or to use their favorite term, "deconstructing") the official "Zionist narrative" about the 1948 war and the foundation of the state. The most influential of the revisionist historians was Benny Morris, whose 1987 book *The Birth of the Palestinian Refugee Problem* became an international sensation. Using a trove of documents in the Israeli state archives, Morris showed that not all the Palestinian refugees fled their homes in panic or were ordered out by their leaders. For example, during fierce battles between Israeli and Arab forces around the strategic towns of Lydda and Ramla, the Israelis expelled thousands of Arab residents and put them on the road to the West Bank. Morris also presented documented cases of atrocities by some Israeli soldiers and revealed that David Ben-Gurion and other Zionist leaders had discussed the feasibility of "transferring" Arabs out of the areas assigned to the Jewish state by the UN.

Yet unlike most of his left-wing revisionist colleagues, Morris asserted that the Palestinian calamity and the refugee problem were "born of war, not by design." Morris was—and is—a committed Zionist of the Left. He believed that his work as a truth-telling historian might have a healing effect, encouraging Palestinian intellectuals to own up to their own side's mistakes and crimes. The process might lead to some reconciliation, perhaps even to peace. But Morris was shocked when Palestinian leaders launched the second intifada, with its campaign of suicide bombings, just as President Clinton offered them a generous two-state solution at Camp David. Morris was also dismayed to discover that his scholarship on the 1948 war was being used by Palestinian activists and Western leftist academics to build up the Nakba myth. In a 2008 letter to the *Irish Times*, he wrote:

> Israel-haters are fond of citing—and more often, mis-citing—my work in support of their arguments. Let me offer some corrections. . . . In defiance of the will of the international community, as embodied in the UN

HULTON-DEUTSCH COLLECTION/CORBIS

The Arab world started the 1948 war. Here, Tel Aviv after an Egyptian air-force attack

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> General Assembly Resolution of November 29th, 1947, [the Palestinians] launched hostilities against the Jewish community in Palestine in the hope of aborting the emergence of the Jewish state and perhaps destroying that community. But they lost; and one of the results was the displacement of 700,000 of them from their homes. . . . On the local level, in dozens of localities around Palestine, Arab leaders advised or ordered the evacuation of women and children or whole communities. . . .
>
> Most of Palestine's 700,000 "refugees" fled their homes because of the flail of war (and in the expectation that they would shortly return to their homes on the backs of victorious Arab invaders). But it is also true that there were several dozen sites, including Lydda and Ramla, from which Arab communities were expelled by Jewish troops.
>
> The displacement of the 700,000 Arabs who became "refugees"—and I put the term in inverted commas, as two-thirds of them were displaced from one part of Palestine to another and not from their country (which is the usual definition of a refugee)—was not a "racist crime" . . . but the result of a national conflict and a war, with religious overtones, from the Muslim perspective, launched by the Arabs themselves.

Coming from the dean of Israeli revisionist historians, this was a significant rejection of the Nakba narrative and, incidentally, an endorsement of Stone's forgotten book.

Earlier this year, another pathbreaking work of historical scholarship appeared that, if facts mattered at all in this debate, would put the final nail in the coffin of the Nakba myth. The book is *Palestine Betrayed*, by Efraim Karsh, head of the Middle East program at King's College London. Karsh has delved deeper into the British and Israeli archives—and some Arab ones—than any previous historian of the period. He deftly uses this new material to seal the case that the Nakba was, to a large extent, brought on by the Palestinians' own leaders.

For example, using detailed notes kept by key players in Haifa, Karsh provides a poignant description of an April 1948 meeting attended by Haifa's Arab officials, officers of the nascent Israeli military, Mayor Shabtai Levy, and Major General Hugh Stockwell, the British military commander of Haifa. Levy, in tears, begged the Arab notables, some of whom were his personal friends, to tell their people to stay in their homes and promised that no harm would befall them. The Zionists desperately wanted the Arabs of Haifa to stay put in order to show that their new state would treat its minorities well. However, exactly as Stone reported in *This Is Israel*, the Arab leaders told Levy that they had been ordered out and even threatened by the Arab Higher Committee, chaired by the grand mufti from his exile in Cairo. Karsh quotes the hardly pro-Zionist Stockwell as telling the Arab leaders, "You have made a foolish decision."

In describing the battle for Jaffa, the Arab city adjoining Tel Aviv, Karsh uses British military archives to show that the Israelis again promised the Arabs that they could stay if they laid down their arms. But the mufti's orders again forbade it. In retrospect, it is clear that the mufti wanted the Arabs of Haifa and Jaffa to leave because he feared not that they would be in danger but that their remaining would provide greater legitimacy to the fledgling Jewish state.

Unfortunately, no amount of documentation and evidence about what really happened in 1948 will puncture the Nakba narrative. The tale of dispossession has been institutionalized now, an essential part of the Palestinians' armament for what they see as the long struggle ahead. It has become the moral basis for their insistence on the refugees' right to return to Israel, which in turn leads them to reject one reasonable two-state peace plan after another. In the meantime, the more radical Palestinians continue to insist that the only balm for the Nakba is the complete undoing of the historical crime of Zionism—either eliminating Israel or submerging it into a secular democratic state called Palestine. (The proposal is hard to take seriously from adherents of a religion and a culture that abjure secularism and allow little democracy.)

Nor will the facts about 1948 impress the European and American leftists who are part of the

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international Nakba coalition. The Nakba narrative of Zionism as a movement of white colonial oppressors victimizing innocent Palestinians is strengthened by radical modes of thought now dominant in the Western academy. Postmodernists and postcolonialists have adapted Henry Ford's adage that "history is bunk" to their own political purposes. According to the radical professors, there is no factual or empirical history that we can trust—only competing "narratives." For example, there is the dominant establishment narrative of American history, and then there is the counter-narrative, written by professors like the late Howard Zinn, which speaks for neglected and forgotten Americans. Just so, the Palestinian counter-narrative of the Nakba can now replace the old, discredited Zionist narrative, regardless of actual historical facts. And thanks to what the French writer Pascal Bruckner has called the Western intelligentsia's new "tyranny of guilt"—a self-effacement that forbids critical inquiry into the historical narratives of those national movements granted the sanctified status of "oppressed"—the Nakba narrative cannot even be challenged.

This makes for a significant subculture in the West devoted to the delegitimization of Israel and the Zionist idea. To leftists, for whom Israel is now permanently on trial, Stone's 1948 love song to Zionism has conveniently been disappeared, just as Trotsky was once disappeared by the Soviet Union and its Western supporters (of whom, let us not forget, Stone was one). Thus Tony Judt can write in *The New York Review of Books*—the same prestigious journal in which Stone began publishing his reconsiderations of Zionism—that Israel is, after all, just an "anachronism" and a historical blunder.

Several years ago, I briefly visited the largest refugee camp in the West Bank: Balata, inside the city of Nablus. Many of the camp's approximately 20,000 residents are the children, grandchildren, and even great-grandchildren of the Arab citizens of Jaffa who fled their homes in early 1948.

For half a century, the United Nations has administered Balata as a quasi-apartheid welfare ghetto. The Palestinian Authority does not consider the residents of Balata citizens of Palestine; they do not vote on municipal issues, and they receive no PA funding for roads or sanitation. The refugee children—though after 60 years, calling young children "refugees" is absurd—go to separate schools run by UNRWA, the UN's refugee-relief agency. The "refugees" are crammed into an area of approximately one square kilometer, and municipal officials prohibit them from building outside the camp's official boundaries, making living conditions ever more cramped as the camp's population grows. In a building called the Jaffa Cultural Center—financed by the UN, which means our tax dollars—Balata's young people are undoubtedly nurtured on the myth that someday soon they will return in triumph to their ancestors' homes by the Mediterranean Sea.

Nor will the facts about 1948 impress the European and American leftists who are part of the international Nakba coalition.

In Balata, history has come full circle. During the 1948 war, Palestinian leaders like Haj Amin al-Husseini insisted that the Arab citizens of Haifa and Jaffa had to leave, lest they help legitimize the Jewish state. Now, the descendants of those citizens are locked up in places like Balata and prohibited from resettling in the Palestinian-administered West Bank—again, lest they help legitimize the Jewish state, this time by removing the Palestinians' chief complaint. Yet there is a certain perverse logic at work here. For if Israel and the Palestinians ever managed to hammer out the draft of a peace treaty, Mahmoud Abbas, president of the Palestinian Authority, would have to go to Balata and explain to its residents that their leaders have been lying to them for 60 years and that they are not going back to Jaffa. Which, to state the obvious again, is one of the main reasons that there has been no peace treaty.

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The Golden State's War on Itself

How politicians turned the California Dream into a nightmare

Joel Kotkin

California has long been a destination for those seeking a better place to live. For most of its history, the state enacted sensible policies that created one of the wealthiest and most innovative economies in human history. California realized the American dream but better, fostering a huge middle class that, for the most part, owned their homes, sent their kids to public schools, and found meaningful work connected to the state's amazingly diverse, innovative economy.

Recently, though, the dream has been evaporating. Between 2003 and 2007, California state and local government spending grew 31 percent, even as the state's population grew just 5 percent. The overall tax burden as a percentage of state income, once middling among the states, has risen to the sixth-highest in the nation, says the Tax Foundation. Since 1990, according to an analysis by California Lutheran University, the state's share of overall U.S. employment has dropped a remarkable 10 percent. When the state economy has done well, it has usually been the result of asset inflation—first during the dot-com bubble of the late 1990s, and then during the housing boom, which was responsible for nearly half of all jobs created earlier in this decade.

Since the financial crisis began in 2008, the state has fared even worse. Last year, California personal income fell 2.5 percent, the first such fall since the Great Depression and well below the 1.7 percent drop for the rest of the country. Unemployment may be starting to ebb nationwide, but not in California, where it approaches 13 percent, among the highest rates in the nation. Between 2008 and 2009, not one of California's biggest cities outperformed such traditional laggards as New York, Pittsburgh, and Philadelphia in employment growth, and four cities—Los Angeles, Oakland, Santa Ana, and San Bernardino–Riverside—sit very close to the bottom among the nation's largest metro areas, just slightly ahead of basket cases like Detroit. Long a global exemplar, California is in danger of becoming, as historian Kevin Starr has warned, a "failed state."

What went so wrong? The answer lies in a change in the nature of progressive politics in California. During the second half of the twentieth century, the state shifted from an older progressivism, which emphasized infrastructure investment and business growth, to a newer version, which views the private sector much the way the Huns viewed a city—as something to be sacked and plundered. The result is two separate California realities: a lucrative one for the wealthy and for government workers, who are largely insulated from economic decline; and a grim one for the private-sector middle and working classes, who are fleeing the state.

Graphs by Alberto Mena

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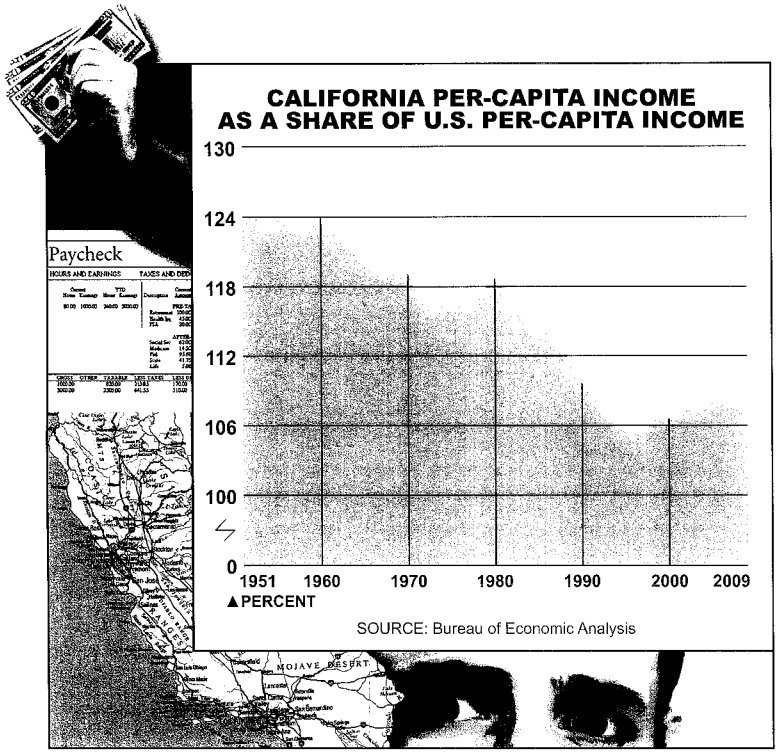

he old progressivism began in the early 1900s and lasted for half a century. It was a nonpartisan and largely middle-class movement that emphasized fostering economic growth—the progressives themselves tended to have business backgrounds—and building infrastructure, such as the Los Angeles Aqueduct and the Hetch Hetchy Reservoir. One powerful progressive was Republican Earl Warren, who governed the state between 1943 and 1953 and spent much of the prospering state's surplus tax revenue on roads, mental health facilities, and schools. Another was Edmund G. "Pat" Brown, elected in 1958, who oversaw an aggressive program of public works, a rapid expansion of higher education, and the massive California Water Project.

But by the mid-1960s, as I noted in an essay in *The American* two years ago, Brown's traditional progressivism was being destabilized by forces that would eventually transform liberal politics around the nation: public-sector workers, liberal lobbying organizations, and minorities, which demanded more and more social spending. This spending irritated the business interests that had formerly seen government as their friend, contributing to Brown's defeat in 1966 by Ronald Reagan. Reagan was far more budget-conscious than Brown had been, and large declines in infrastructure spending occurred on his watch, mostly to meet a major budget deficit.

The decline of progressivism continued under the next governor: Pat Brown's son, Edmund G. "Jerry" Brown, Jr., who took office in 1975. Brown scuttled infrastructure spending, in large part because of his opposition to growth and concern for the environment. Encouraged by "reforms" backed by Brown—such as the 1978 Dill Act, which legalized collective bargaining for them—the public-employee unions became the best-organized political force in California and currently dominate Democrats in the legislature (see "The Beholden State," Spring 2010). According to the unions, public funds should be spent on inflating workers' salaries and pensions—or else on expanding social services, often provided by public employees—and not on infrastructure or higher education, which is why Brown famously opposed new freeway construction and water projects and even tried to rein in the state's university system.

The power of the public-employee lobby would come to haunt the recall-shortened gubernatorial reign of Gray Davis, Brown's former chief of staff. The government workers' growing demands on the budget, green groups' opposition to expanding physical infrastructure, and Republican opposition to tax increases made it impossible for either Davis or his successor, Arnold Schwarzenegger, to expand the state's infrastructure at a scale necessary to accommodate its growing population.

he new progressives were as unenthusiastic about welcoming business as about building infrastructure. Fundamentally indifferent or even hostile to the existing private sector, they

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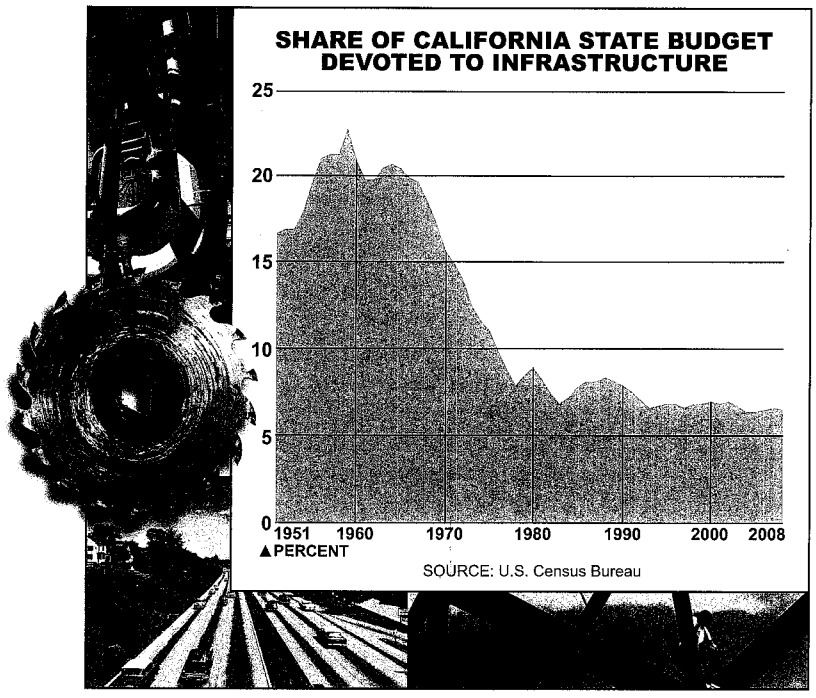
embraced two peculiar notions about what could sustain California's economy in its place. The first of these was California's inherent creativity—a delusion held not only by liberal Democrats. David Crane, Governor Schwarzenegger's top economic advisor, once told me that California could easily afford to give up blue-collar jobs in warehousing, manufacturing, or even business services because the state's vaunted "creative economy" would find ways to replace the lost employment and income. California would always come out ahead, he said, because it represented "ground zero for creative destruction."

The second engine that could supposedly keep California humming was the so-called green economy. Michael Grunwald recently wrote in *Time*, for example, that venture capital, high tech, and, above all, "green" technology were already laying the foundation of a miraculous economic turnaround in California. Though there are certainly opportunities in new energy-saving technologies, this is an enthusiasm that requires some serious curbing. One recent study hailing the new industry found that California was creating some 10,000 green jobs annually before the recession. But that won't heal a state that has lost 700,000 jobs since then.

At the same time, green promoters underestimate the impact of California's draconian environmental rules on the economy as a whole. Take the state's Global Warming Solutions Act, which will force any new development to meet standards for being "carbon-neutral." It requires the state to reduce its carbon-emissions levels by 30 percent between 1990 and 2020, virtually assuring that California's energy costs, already among the nation's highest, will climb still higher. Aided by the nominally Republican governor, the legislation seems certain to slow any future recovery in the suffering housing, industrial, and warehousing sectors and to make California less competitive with other states. Costs of the act to small businesses alone, according to a report by California State University professors Sanjay Varshney and Dennis Tootelian, will likely cut gross state product by $182 billion over the next decade and cost some 1.1 million jobs.

It's sad to consider the greens such an impediment to social and economic health. Historically, California did an enviable job in traditional approaches to conservation—protecting its coastline, preserving water and air resources, and turning large tracts of land into state parks. But much like the public-sector unions, California's environmental movement has become so powerful that it feels free to push its agenda without regard for collateral damage done to the state's economy and people. With productive industry in decline and the business community in disarray, even the harshest regulatory policies often meet little resistance in Sacramento.



In the Central Valley, for instance, regulations designed to save certain fish species have required 450,000 acres to go fallow. Unemployment is at 17 percent across the Valley; in some towns, like Mendota, it's higher than 40 percent. Rick Wartzman, director of the Peter Drucker Institute, has described the vast

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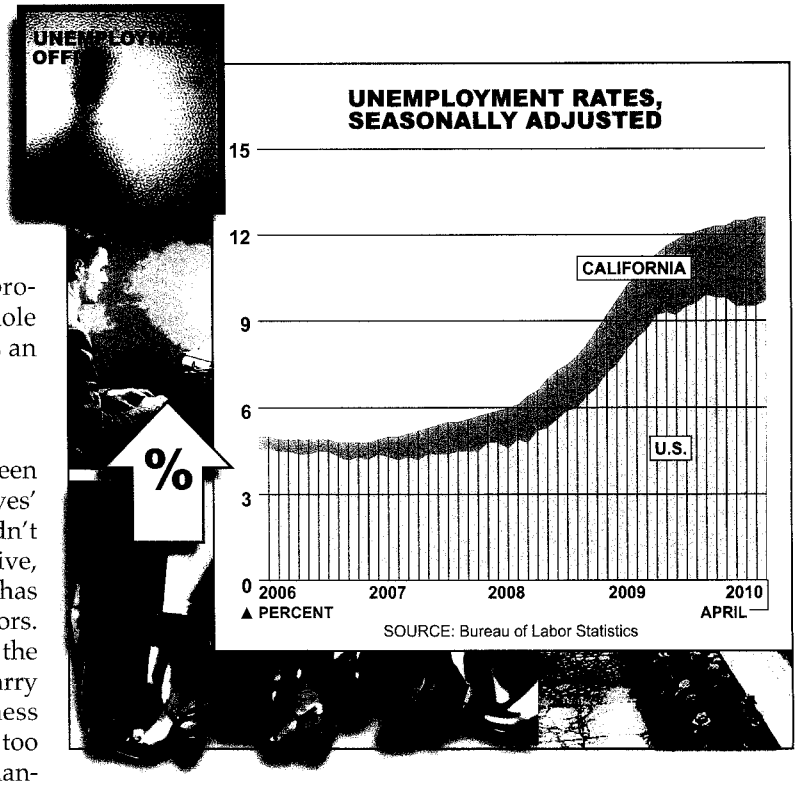
agricultural region around Fresno as "California's Detroit," an area where workers and businesspeople "are fast becoming a more endangered species than Chinook salmon or delta smelt." The fact that governments dominated by "progressives" are impoverishing whole regions isn't merely an irony; it's an abomination.



So much for the creative green economy. As for the old progressives' belief that government shouldn't scare away productive, competitive, long-term enterprise, that, too, has been abandoned by their successors. "Our economy is not inducing the right kind of business," says Larry Kosmont, a prominent business consultant in Los Angeles. "It's too expensive to operate here, and managers feel squeezed. They feel they can't control the circumstances any more and have to look somewhere else." The problem isn't just corporate costs, either. The regulatory restraints, high taxes, and onerous rules enacted by the new progressives lead to high housing prices, making much of California too expensive for middle- and working-class employees and encouraging their employers to move elsewhere.

Silicon Valley, for instance—despite the celebrated success of Google and Apple—has 130,000 fewer jobs now than it had a decade ago, with office vacancy above 20 percent. In Los Angeles, garment factories and aerospace companies alike are shutting down. Toyota has abandoned its Fremont plant. California lost nearly 400,000 manufacturing jobs between 2000 and 2007, according to a report by the Milken Institute—even as industrial employment grew in Texas and Arizona. A sign of the times: transferring factory equipment from the Bay Area to other locales has become a thriving business, notes Tom Abate of the *San Francisco Chronicle*.

Optimists sometimes point out that "new economy" companies like Disney, Google, Hewlett-Packard, and Apple, as well as scores of smaller innovative firms, continue to keep their headquarters in the state. But this is to ignore the fact that many of these companies are sending their middle- and working-class employees to other locales. Evidence of middle-class flight: since 1999, according to California Lutheran University, the state has seen a far steeper decline in households earning between $35,000 and $75,000 than the national average. And blue-collar areas—Oakland, the eastern expanses of greater Los Angeles, and much of central California—have been hit even harder. California's overall poverty rate has been consistently higher than the national average. In Los Angeles County alone, some 20 percent of the population—2.2 million people—receives some form of public aid.

In short, the economy created by the new progressives can pay off only those at the peak of the employment pyramid—top researchers, CEOs, entertainment honchos, highly skilled engineers and programmers. As a result, California suffers

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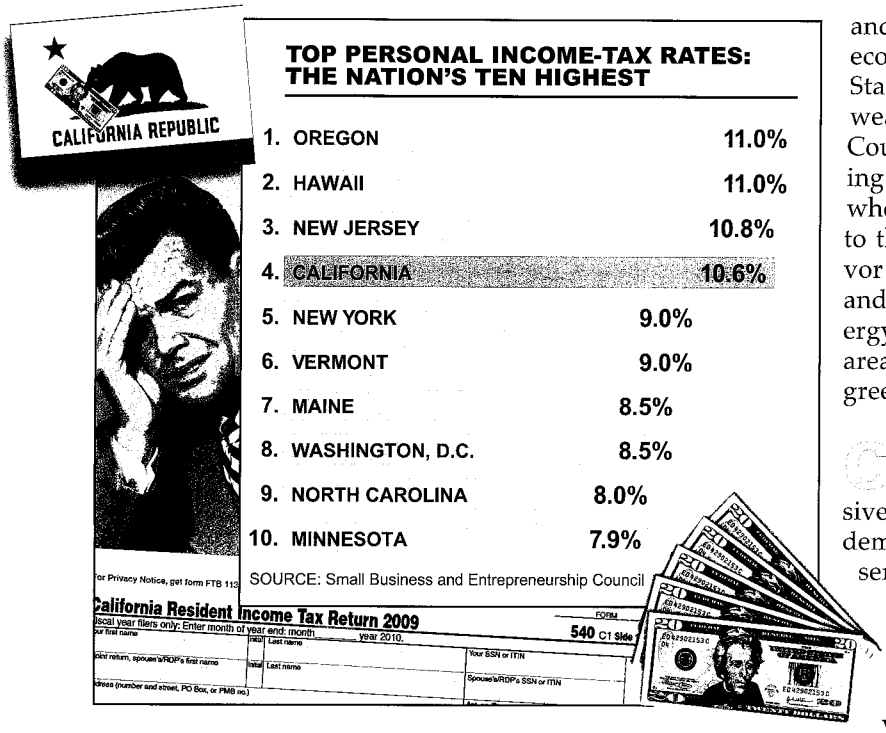

from an increasingly bifurcated social structure. Between 1993 and 2007, the share of the state's income that went to the top 1 percent of earners more than doubled, to one-quarter—the eighth-largest share in the country.

For these lucky earners, a low-growth or negative-growth economy works just fine, so long as stock prices rise. For their public-employee allies, the same is true, so long as pensions remain inviolate. Global-warming legislation may drive down employment in warehouses and factories, but if it's couched in rhetoric about saving the planet, these elites can even feel good about it.

Under the new progressives, it's always hoi polloi who need to lower their expectations. More than four out of five Californians favor single-family homes, for example, but progressive thinkers like Robert Cruickshank, writing in *California Progress Report*, want to replace "the late 20th century suburban model of the California Dream" with "an urban, sustainable model that is backed by a strong public sector." Of course, this new urban model will apply not to the wealthy progressives who own spacious homes in the suburbs but to the next generation, largely Latino and Asian. Robert Eyler, chair of the economics department at Sonoma State University, points out that wealthy aging yuppies in Sonoma County have little interest in reviving growth in the local economy, where office vacancy rates are close to those in Detroit. Instead, they favor policies, such as "smart growth" and an insistence on "renewable" energy sources, that would make the area look like a gated community—a green one, naturally.

California's supposedly progressive economics have had profound demographic consequences. After serving as a beacon for millions of Americans, California now ranks second to New York—and just ahead of New Jersey—in the number of moving vans leaving the state. Between 2004 and 2007, 500,000 more Americans left California than arrived; in 2008, the net outflow reached 135,000, much of it to the very "dust bowl" states, like Oklahoma and Texas, from which many Californians trace their origins. California now has a lower percentage of people who moved there within the last year than any state except Michigan. Even immigration from abroad seems to be waning: a recent University of Southern California study shows the percentage of Californians who are foreign-born declining for the first time in half a century. For the first time in its history as a state, as political analyst Michael Barone has noted, California is not on track to gain a new congressional district after the 2010 census.

This demographic pattern only reinforces the hegemony of environmentalists and public employees. In the past, both political parties had to answer to middle- and lower-middle-class voters sensitive to taxes and dependent on economic growth. But these days, with much of the middle class leaving, power is won largely by mobilizing activists and public employees. There is little countervailing pressure from local

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entrepreneurs and businesses, which tend to be poorly organized and whose employee base consists heavily of noncitizens. And the legislature's growing Latino caucus doesn't resist regulations that stifle jobs—perhaps because of the proliferation of the California equivalent of "rotten boroughs": Latino districts with few voters where politicians can rely on public employees and activists to dominate elections.

lessed with resources of topography, climate, and human skill, California does not need to continue its trajectory from global paragon to planetary laughingstock. A coalition of inland Latinos and Anglos, along with independent suburban middle-class voters in the coastal areas, could begin a shift in policy, reining in both public-sector costs and harsh climate-change legislation. Above all, Californians need to recognize the importance of the economic base—particularly such linchpins as agriculture, manufacturing, and trade—in reenergizing the state's economy.

California now ranks second to New York—and just ahead of New Jersey—in the number of moving vans leaving the state.

The changes needed are clear. For one thing, California must shift its public priorities away from lavish pensions for bureaucrats and toward the infrastructure critical to reinvigorating the private sector. The state's once-vaunted power system routinely experiences summer brownouts; water supplies remain uncertain, thanks to environmental legislation and a reluctance to make new investments; the ports are highly congested and under constant threat of increased competition from the southeastern United States, the Pacific Northwest, and eventually Mexico's Baja California. Fixing these problems would benefit the state's middle and working classes. Lower electrical costs would help preserve industrial facilities—from semiconductor and aerospace plants to textile mills. Reinvestment in trade infrastructure, such as ports, bridges, and freeways, would be a huge boon to working-class aspirations, since ports in Southern California account for as much as 20 percent of the area's total employment, much of it in highly paid, blue-collar sectors.

Another potential opportunity lies in energy, particularly oil. California has enormous reserves not just along its coast but also in its interior. The Democrats in the legislature, which seems determined to block expanded production, have recently announced plans to increase taxes on oil producers. A better solution would be a reasonable program of more drilling, particularly inland, which would create jobs and also bring a consistent, long-term stream of much-needed tax revenue.

These shifts would likely appeal to voters in the areas—such as the Central Valley and the "Inland Empire" around Riverside—that have been hurt most by the recession and the depredations of the hyper-regulatory state. Indeed, the disquiet in the state's interior could make the coming gubernatorial election the most competitive in a decade. Jerry Brown, the Democratic candidate, certainly appears vulnerable: his campaign is largely financed by the same public-sector unions whose expansion he fostered as governor; more recently, serving as state attorney general, he was the fiercest enforcer of the Global Warming Solutions Act, which opens him to charges that he opposes economic growth. One hopeful sign that pragmatism may be back in fashion: a new proposed ballot measure to reverse the act until unemployment drops below 5.5 percent, where it stood before the recession. Since unemployment is currently near 13 percent, that would take radical change off the table for quite a while.

Still, it isn't certain that California's inept and often clueless Republicans will mount a strong challenge. For them to do so, business leaders need to get back in the game and remind voters and politicians alike of the truth that they have forgotten: only sustained, broadly based economic growth can restore the state's promise.

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Enlightened and Enriched

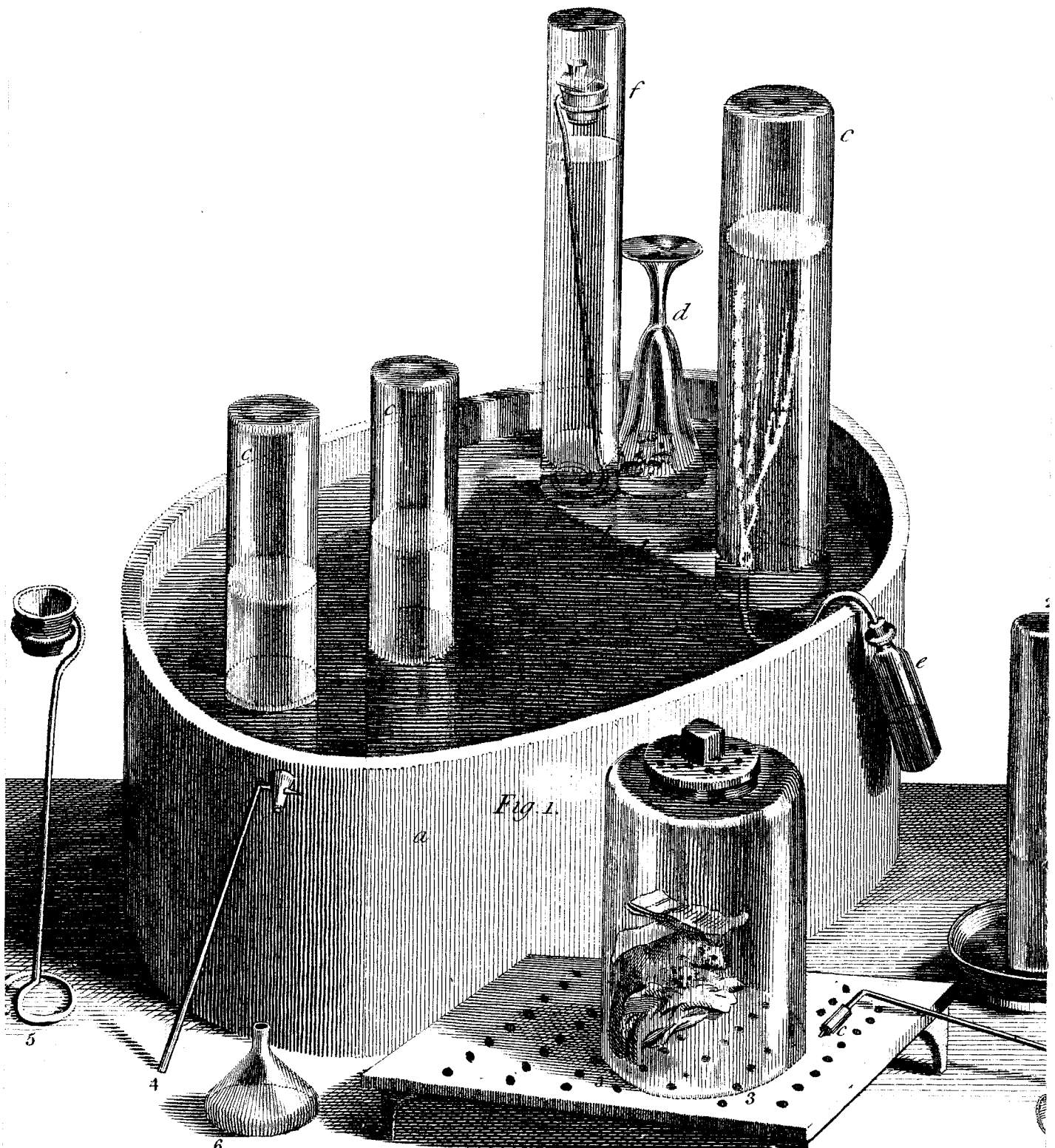

Fig. 1.

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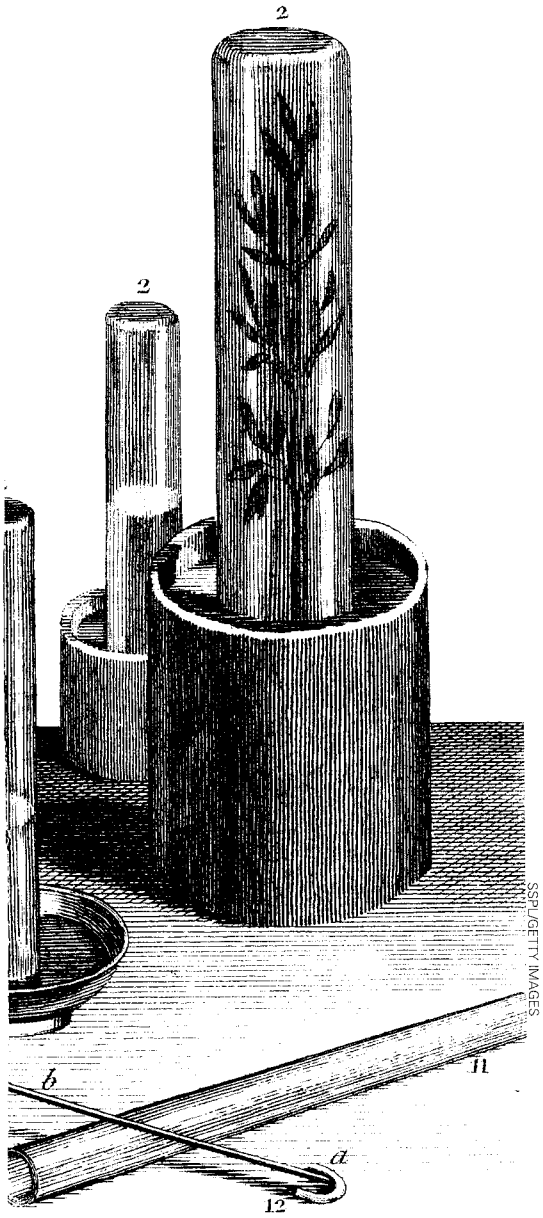
We owe our modern prosperity to Enlightenment ideas.



SSPL/GETTY IMAGES

Joel Mokyr

Was the Enlightenment a Good Thing? At first blush, the question sounds almost sacrilegious. The eighteenth-century Enlightenment, after all, taught us to be democratic and to believe in human rights, tolerance, freedom of expression, and many other values that are still revered, if not always practiced, in modern societies. On the other hand, historians question whether the Enlightenment actually led to brotherhood and equality (it did not, of course), and even freedom, its third objective, was achieved only partially and late. Some have even suggested that its ideas of human "improvement" may have had unintended bad consequences such as twentieth-century totalitarianism, racism, and colonialism.

Yet the debate has obscured the most hardy and irreversible effect of the Enlightenment: it made us rich. It is by now a cliché to note how much better twenty-first-century people live than even the kings of three centuries back. In thousands of large and small things, material life today is immeasurably better than ever before. Are we happier? Who knows? Are we more enlightened? Possibly. But are we healthier and more comfortable? Of course we are. And without sounding too cocky about how progressive history is, or too triumphalist about Western culture as the crowning achievement of human development (a view that a majority of historians label "whiggish"), I would like to suggest that what generated all this prosperity was the growth of certain ideas in the century after the British Glorious Revolution of 1688.

Joseph Priestley (1733–1804) sought to improve the world through experiments like those he conducted with this gas apparatus.

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Somehow this important connection has slipped past the scores of historians who have written about the rise of the modern world and variations on that theme. Most economic historians have focused not on intellectual but on economic factors, crediting resources, prices, investment, empire, or commerce with triggering the Industrial Revolution, which then led to the period of sustained economic growth in which we still find ourselves. Even though attributing economic change purely to economic causes at the exclusion of ideas is part and parcel of historical materialism, a theory generally associated with Marxism, free-market economists have frequently done the same thing, describing the effects of ideology as "a grin without a cat." One of the few who dissented was John Maynard Keynes, who noted in a famous passage that "the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas." There is no better example than the Enlightenment ideas that, I submit, created the prosperity that we enjoy today.

The writers and thinkers whose work we call the Enlightenment were a motley crew of philosophers, scientists, mathematicians, physicians, and other intellectuals. They differed on many topics, but most of them agreed that improvement of the human condition was both possible and desirable. This sounds trite to us, but it is worth pointing out that in 1700, few people on this planet had much reason to believe that their lives would ever get better. For most, life was not much less short, brutish, and nasty than it had been 1,000 years earlier. The vicious religious wars that Europe had suffered for many decades had not improved things, and though there had been a few advances—the wider availability of books, for instance, and a trickle of new goods from overseas, such as tea and sugar—their impact on the overall quality of life remained marginal. An average Briton born in 1700 could expect to live about 35 years, spending his days doing hard physical work and his nights in a cold, crowded, vermin-ridden home.

Against this grim backdrop, Enlightenment philosophers developed a belief in the capability of what they called "useful knowledge" to advance the state of humanity. The most influential proponent of this belief was the earlier English philosopher Francis Bacon, who had emphasized that knowledge of the physical environment was the key to material progress: "We cannot command Nature except by obeying her," he wrote in 1620 in his *New Organon*. The agenda of what we would call "research and development" began to expand from the researcher's interest alone—or his desire to illustrate the Creator's wisdom—to include the hope that one day his knowledge could be put to good use. In 1671, one of the most eminent scientists of the age, Robert Boyle, wrote that "there is scarce any considerable physical truth, which is not, as it were, teeming with profitable inventions, and may not by human skill and industry, be made the fruitful mother of divers things useful." The idea spread to other nations. The great French scientist René Réaumur, a mathematician by training, spent much of his career researching such mundane matters as steel, paper, and insects in the hope of using this knowledge in industry and agriculture.

To bring about the progress that they envisioned—to solve pragmatic problems of industry, agriculture, medicine, and navigation—European scientists realized that they needed to accumulate a solid body of knowledge and that this required, above all, reliable communications. They churned out encyclopedias, compendiums, dictionaries, and technical volumes—the search engines of their day—in which useful knowledge was organized, cataloged, classified, and made as available as possible. One of these tomes was Diderot's *Encyclopédie*, perhaps the Enlightenment document par excellence. The age of Enlightenment was also the age of the "Republic of Science," a transnational, informal community in which European scientists relied on an epistolary network to read, critique, translate, and sometimes plagiarize one another's ideas and work. Nationality mattered little, it seemed, compared with the shared goal of human progress. "The sciences," said the great chemist Antoine Lavoisier, "are never at war." Like many of the lofty ideals of the eighteenth century, this notion eventually proved, to some extent, illusory.

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Yet the idea of material progress through the expansion of useful knowledge—what historians today call the Baconian program—slowly took root. The Royal Society, founded in London in 1660, was explicitly based on Bacon's ideas. Its purpose, it claimed, was "to improve the knowledge of naturall things, and all useful Arts, Manufactures, Mechanick practises, Engines, and Inventions by Experiments." But the movement experienced a veritable spurt during the eighteenth century, when private organizations were established throughout Britain to build bridges between those who knew things and those who made things. One example was the oddly named Lunar Society of Birmingham, in which leading scientists met regularly with famed entrepreneurs, including the greatest engineer of his age, James Watt, and his partner Matthew Boulton. Another was the Manchester Literary and Philosophical Society, whose members included many of the most prominent businessmen in Britain's rapidly growing cotton industry.

More and more manufacturers sought the advice of scientists and mathematicians to solve technical bottlenecks and enhance productivity. The record of those consultants was mixed; more often than not, a consultant told a firm something that it already knew or something that it could have found out less expensively. But what is interesting is how widespread the belief that science could help industry had become by 1780.

Enlightenment philosophers developed a belief in the capability of 'useful knowledge' to advance humanity.

The Baconian program proved unusually successful in Britain, and hence it led the world in industrial innovation. There were many reasons for this, not the least of them England's union with Scotland in 1707. The historian Arthur Herman has written, with some exaggeration, that the Scots invented the modern world. The Universities of Edinburgh and Glasgow were the Scottish Enlightenment's versions of Harvard and MIT: rivals up to a point, but cooperating in generating the useful knowledge underlying new technology. They employed some of the greatest minds of the time—above all, Adam Smith. The philosopher David Hume, a friend of Smith's, was twice denied a tenured professorship on account of his heterodox beliefs. In an earlier age, he might have been in trouble with the law; but in enlightened Scotland, he lived a peaceful life as a librarian and civil servant. Another Scot and friend of Smith's, Adam Ferguson, introduced the concept of civil society. Scotland did not just produce philosophers, either; it also exported to England many of its most talented engineers and chemists, above all James Watt.

It is absurd to argue, as some scholars have, that England had no Enlightenment of its own. But the English Enlightenment was more practical than the Scottish, and perhaps that was what was needed for innovation. Consider Josiah Wedgwood, the great Staffordshire potter who single-handedly revolutionized an entire industry. Wedgwood was a typical Enlightenment figure: opposed to slavery, closely connected with the most prominent intellectuals of his age, and continuously studying science, consulting with scientists, and improving his technology and marketing. Wedgwood's celebrated invention of jasperware—a kind of stoneware colored by adding selected metal oxides—has been called the most significant innovation in ceramic history since the Chinese invention of porcelain. It came after thousands of experiments in Wedgwood's Staffordshire laboratories. Clearly, progress in this area was no longer confined to the random stumblings of inspired artisans.

In a few areas, useful knowledge turned out to be hugely productive. The rapidly growing cotton industry needed a chemical agent that could bleach fabrics, but traditional techniques were slow and expensive. In 1774, a Swedish chemist, Carl Wilhelm Scheele, discovered a substance

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that the Frenchman Claude Berthollet subsequently realized had miraculous bleaching properties. The recognition that this substance, later called chlorine, had industrial potential was a British idea. (Its other properties were discovered later: it began to be used as a disinfectant in the mid-nineteenth century, and the widespread chlorination of water began in the twentieth.)

Another example of the success of the Baconian program was in the field of lighting. Candles were expensive, emitted smoke, and often caused fires. Scientists all over enlightened Europe began to put their minds to the problem. In about 1780, Archibald Cochrane, the brilliant but eccentric earl of Dundonald, lit the coal gas above his tar ovens, mostly to amuse his friends; but we are not sure who first realized that the gas could not only burn well but also produce an immensely useful service. Claims for the breakthrough have been made for Jean-Pierre Minkelers, reputed to have lit his Leuven classroom with gas in 1784, and for Johann Georg Pickel, who certainly lit his German laboratory with gas in 1786. In 1799, the Frenchman Philippe Lebon took out a patent for a "thermolamp," a glass device that would burn a combination of air and gas distilled from wood. After Lebon conducted a number of well-publicized demonstrations in Paris in 1801, it became abundantly clear that a radical new possibility had opened up. In 1807, some of Manchester's cotton mills and the entire length of London's Pall Mall were illuminated by coal gas in honor of King George's birthday. In the following decade, gaslight turned night into day for many Europeans.

Optimism continued to abound about the potential of useful knowledge to improve the world. In 1780, one of the greatest figures of the Enlightenment, Benjamin Franklin, wrote in a letter that "the rapid progress true Science now makes, occasions my regretting sometimes that I was born so soon. It is impossible to imagine the Height to which may be carried, in a thousand years, the Power of Man over Matter. . . . O, that Moral Science were in as fair a way of Improvement." He addressed that very Baconian sentiment to his friend Joseph Priestley, the British scientist and philosopher who invented soda water and discovered oxygen.

The age of Enlightenment, of course, was also the age of Newton, whose discoveries made it possible to understand the movement of heavenly bodies. This was widely regarded as a hint of things to come: if we can understand this, we can understand anything. But nature turned out to be messier than expected. For a century, many areas of research resisted efforts at improvement simply because the underlying physics and chemistry, not to mention biology, had not advanced enough. A good example is the slow development of electrical power. Eighteenth-century science was fascinated by electricity and sensed its potential; in 1760, the preface to Franklin's *New Experiments and Observations on Electricity* stated prophetically that electricity was perhaps the most formidable and irresistible agent in the universe. Yet it was to take another century and the work of many scientists until electrical power could become economically useful.

Advances in medicine proved similarly sporadic. Enlightened physicians were passionate about progress. How could they not be? Twenty out of every 100 babies perished in their first year; many young and talented women and men died prematurely of dreaded disease; adult life was often a sequence of disfiguring and debilitating sicknesses. "I see no reason to doubt that, by taking advantage of various and continual accessions as they accrue to science, the same power will be acquired over living, as it is at present exercised over some inanimate bodies," wrote Thomas Beddoes, a learned English medic, in 1793. And there was at least one major success story in his lifetime: Edward Jenner's discovery of the smallpox vaccine three years later. One could mention a few more modest advances, such as the discovery that citrus fruit could protect sailors against scurvy. But these discoveries were exceptional: useful knowledge could not control, much less cure, most diseases before 1850. Moreover, new diseases appeared that left the profession helpless: cholera was to the 1830s what HIV was to the 1980s, and it took decades even to isolate its mode of transmission. Beddoes died a disappointed and disillusioned man.

Even in industry, the immediate effect of the Baconian program was limited. Some of the most important inventions of the eighteenth

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Josiah Wedgwood (1730–95) used scientific inquiry to revolutionize the manufacture of ceramics.

century, especially in textiles, were ingenious mechanical contraptions but did not depend on advances in physics. Hargreaves's spinning jenny and Whitney's cotton gin, to name just two, included no elements that Archimedes could not have understood. The novelty in the eighteenth century was to realize how much science and technology could learn from each other. But innovation still owed less to formal science than to the intuition, ingenuity, and dexterity of mechanical geniuses like Watt, who did more than most to make the steam engine efficient but did not fully understand the physics of steam power. It was not until 1824, five years after Watt's death, that the French scientist Nicolas Sadi Carnot, intrigued by the steam engine, wrote an essay that laid the foundation for modern thermodynamics.

Yet the employment of the Baconian program turned out to be a critical juncture in human

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history. Without it, innovation might well have fizzled out. It is easy to imagine a very different historical scenario, one in which technology advanced just far enough to create a world of mechanical cotton-spinning and cheaper bar iron—and then stagnated. Previous technological efflorescences, such as the fifteenth century's invention of printing, ocean-worthy ships, and firearms, had crystallized in just that way.

But the nineteenth century was different, thanks to the intellectual revolutions of the previous century. After 1815, the spirit of improvement picked up steam, so to speak, and the world would never be the same. Even though the Enlightenment, properly speaking, was long past, its legacy was the great nineteenth-century technological breakthroughs: cheap steel, the germ theory of disease, the taming of electricity, the inventions derived from thermodynamics and organic chemistry, and many others. In 1787, Immanuel Kant famously wrote that he lived in an age of enlightenment but not in an enlightened age. The nineteenth century was just the opposite: no longer the age of Enlightenment but an enlightened age, in the admittedly narrow sense that it was hell-bent on carrying out the Baconian program.

The Enlightenment's contributions to long-term economic growth were not merely scientific, moreover. Many economists, following the leadership of Nobel laureate Douglass North, have begun to see Enlightenment economic and political ideas as central to the process. Early economic doctrine, often called mercantilism, taught that trade was a zero-sum game: if one side gained, the other lost. Such thinking led to policies that today we call "protectionist," and every economics teacher in the country revels in teaching that they are inefficient and costly. The idea that trade normally benefits *both* sides led to the growth of free trade after 1815 and was central to the establishment of free-trade areas in Europe and elsewhere after 1950. That understanding grew out of the Enlightenment and the thinking of such intellectual giants as Smith and Hume.

Even more important was the Enlightenment notion of freedom of expression. In our age, we think of technological change as natural and obvious; indeed, we consider its absence a source of concern. Not so in the past: inventors were seen as disrespectful, rebelling against the existing order, threatening the stability of the regime and the Church, and jeopardizing employment. In the eighteenth century, this notion slowly began to give way to tolerance, to the belief that those with odd notions should be allowed to subject them to a market test. Many novel ideas were experimented with, especially in medicine, in which new ways to fight disease were constantly being proposed and tried (often on unsuspecting patients serving as guinea pigs). Words like "heretic" to describe innovators began to disappear. Indeed, some of the towering figures of the Industrial Revolution—above all, Watt and Jenner—became international celebrities.

ritics of the Enlightenment are surely right that it did not turn Europeans into choirboys. The French Revolution, initially inspired by Enlightenment thought, degenerated into a murderous bloodbath and then into a military dictatorship. The two most enlightened nations, France and Britain, turned on each other in 1793 in a vicious war that lasted more than 20 years and led to oppressive, unenlightened domestic policies. The American Revolution, just as much a child of the Enlightenment as the French, tolerated and codified slavery. In the nineteenth century, Europeans used their new technology to oppress, exploit, and murder non-Europeans; in the late nineteenth century, they replaced the transnational ideals of some enlightened thinkers with an often ugly nationalism that taught the masses that the way to show love for their country was to hate its neighbors; and in the first half of the twentieth century, they turned on one another with a brutality and destructiveness that history had never witnessed before.

So the Enlightenment, sadly, did not end barbarism and violence. But it did end poverty in much of the world that embraced it. Once the dust settled after the upheavals and violence of the French Revolution, Europe entered a century of economic growth (known as the *pax Britannica*) punctuated by a few relatively short and local wars. By 1914, countries that

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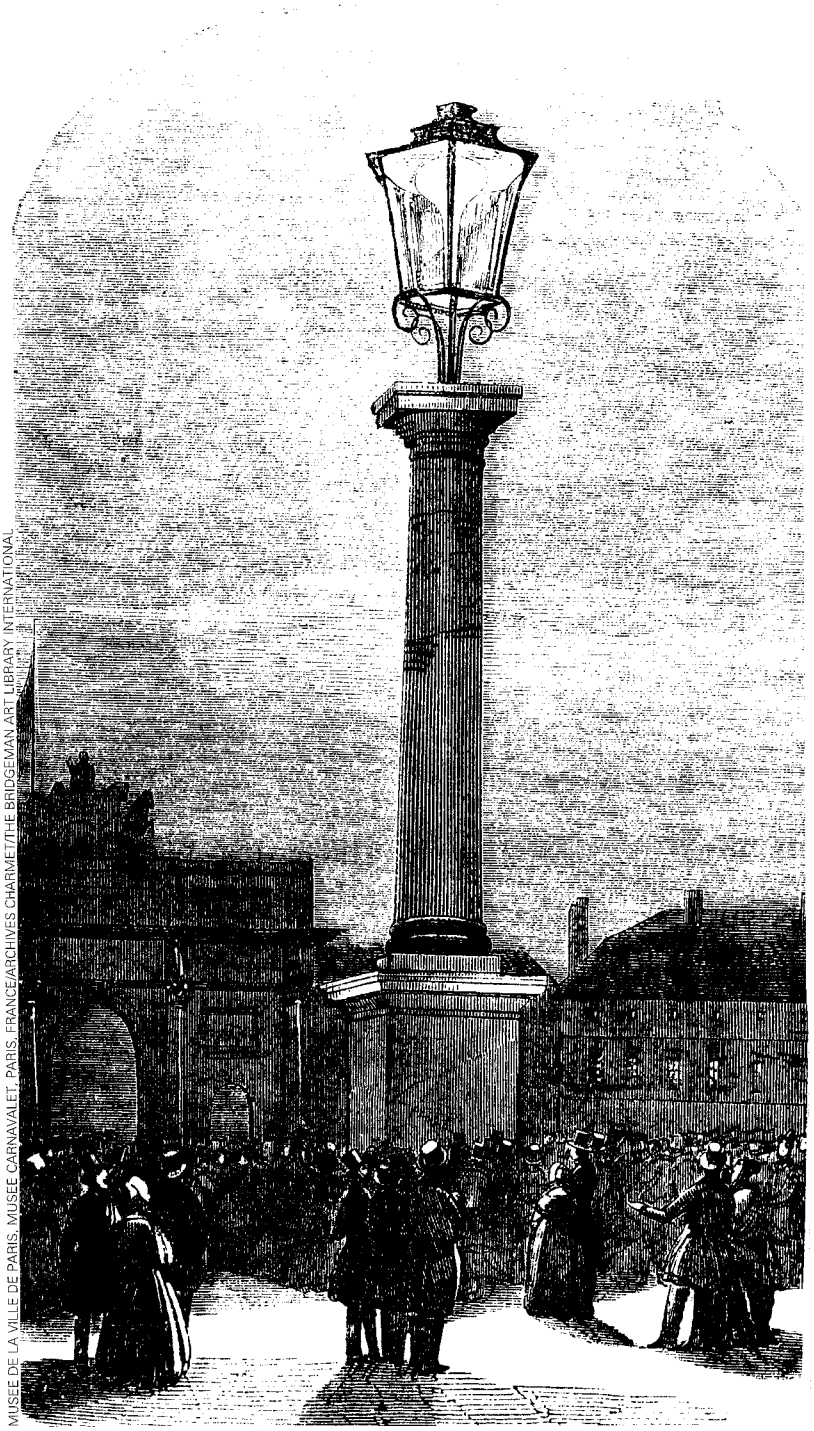
had experienced some kind of Enlightenment had become rich and industrialized, while those that had not, or that had resisted it successfully (such as Spain and Russia), remained behind. The "club" of rich countries formed the core of the industrialized world for most of the twentieth century. Even after two massive wars whose devastation would have sent any ancient empire down the road to ruin, Europe bounced back, and today the quality of life there is the envy of much of the rest of humanity.

As unlikely as it may seem, then, a fairly small community of intellectuals in a small corner of eighteenth-century Europe changed world history. Not only did they agree on the desirability of progress; they wrote a detailed program of how to implement it and then, astoundingly, carried it through. Today, we enjoy material comforts, access to information and entertainment, better health, seeing practically all our children reach adulthood (even if we elect to have fewer of them), and a reasonable expectation of many years in leisurely and economically secure retirement. These are luxuries that Smith, Hume, Watt, and Wedgwood could only dream of. But without the Enlightenment, they would not have happened.

Technological progress has become part of our lives. We have learned to expect that science and technology will advance every year and that we will discover more and more about the physical world in order to improve our material existence, whether in medicine, materials, energy, or information technology. Our growing concern with the environment and the influence that technology has had on our fragile planet is adding nuance and sophistication to this belief. The age of Enlightenment burned coal without concern, unaware of the impact of hydrocarbons on the atmosphere. Our age is learning a further lesson: we need technological progress more than ever, but we need to be smart about it. Ben Franklin would agree.



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Applied science: Paris's first gas lamp, at the Place du Carrousel (1818)

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The Life-Changing Lottery

Photographs by Amy Fletcher

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Charter schools offer inner-city kids a shot at success—but only if they're lucky.

Marcus A. Winters

lease, please, please," whispered the boy sitting to my left in the crowded auditorium, clenching his fists. Clearly too young for the sixth grade, he seemed to be praying for his brother, who sat nearby. If the brother's name was called from the podium, he would begin sixth grade next year at Democracy Prep, a four-year-old Harlem charter school. The odds were against it: a few days earlier, the 205 names being announced had been randomly drawn from a pool of 1,250 applicants. But finally it happened. "Yes!" the boys' mother yelped, smothering Democracy Prep's newest student in a bear hug. The younger brother beamed.

Still, most people's prayers weren't answered that day. Once the final name was called, disappointment weighed heavily on the faces of the unlucky. Nothing less was at stake than the future of 1,250 children. Democracy Prep's was the last of the charter-school lotteries for the entering class of 2010, which will be known within the school as the "College Class of 2021." Most students whose names weren't called will enter one of Harlem's dreadful traditional public schools, from which they're as likely to drop out as graduate.

So for children whose parents can't afford to pay private-school tuition or move to neighborhoods with good public schools, a simple roll of

Students line up for a chance to enroll in Democracy Prep, which has room for only one in six applicants.

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the dice determines whether or not they will get a quality education. That is horribly unfair to the losers. But the lotteries are proving how good New York City's charter schools are—and helping fuel the charters' growth in Gotham.

Charter schools are taxpayer-funded public schools that operate free from many of the bureaucratic restrictions imposed by state and district policies and by collective-bargaining agreements with teachers. New York City has nearly 100 charter schools in all five boroughs, but most cluster into a few neighborhoods. Charters enroll about 15 percent of Harlem students, for instance, even though they serve less than 3 percent of children citywide.

The lotteries are necessary because demand for charter-school seats far exceeds supply. By law, enrollment is determined randomly—with students who live in the local school district getting preference—whenever a charter school receives more applicants than it has available seats. That was the case for all but one of the city's charter schools last year.

The lottery mechanism varies by school. The Harlem Village Academies blindly pick index cards with children's names and contact information out of a box. Democracy Prep and the Harlem Success Academies use a computerized random-number generator. An independent auditor oversees each school's lottery, and statistical tests in past years have confirmed that these are indeed random draws. Most schools now conduct their lotteries privately, either because they want to avoid the media attention or because they can't stand seeing the pain on the faces of kids whose names aren't called. (Newark mayor Cory Booker, a charter-school supporter, is so greatly affected by the lotteries that he refuses to attend any more of them.)

Democracy Prep, however, continues to hold a public lottery, intent on showing the world thousands of flesh-and-blood parents desperate to get their children into better schools. My conservative estimate is that more than one-third of all fifth-graders enrolled in public schools in Harlem's District 5 entered Democracy Prep's lottery this year.

What motivates Harlem's parents and children to apply in such numbers to Democracy Prep is a chance to trade up from one of the city's lousiest middle schools to one of its best. Many of the students in Democracy Prep's lottery are zoned for a traditional public middle school called the Academy of Collaborative Education (ACE). According to the metric that New York City uses to evaluate its schools—a complicated mixture of student test scores and school environment—ACE is the city's single worst middle school.

Given a choice, no sane person would send a child to ACE. In the New York City Department of Education's annual survey last year, when asked to evaluate the statement "I feel safe in my school," 79 percent of ACE's teachers "strongly disagreed," while the remaining 21 percent just plain disagreed. The teachers were right to worry: ACE had qualified as a "persistently dangerous" school, according to the standards that New York State has established under the No Child Left Behind act. To achieve that designation, a school must experience at least six "serious" incidents per 100 students for two consecutive years. Serious incidents include such offenses as homicide, robbery, assault resulting in serious physical injury, and use of a weapon.

Many believe that schools like ACE have such toxic environments because the students who attend them are monsters created by poverty and racism. But if that were true, you might expect Democracy Prep to be equally dangerous: its main campus sits directly across the street from ACE; the lottery's preference for children in the local district ensures that most students in the two schools are neighbors; and Seth Andrew, Democracy Prep's founder, estimates that about half of ACE's current students entered his school's lottery in past years. Nevertheless, in the city's survey, *all* of Democracy Prep's teachers agreed that they felt safe in school.

According to the city's metric, moreover, Democracy Prep is the highest-performing school in Harlem and among the 20 highest-performing middle schools in the entire city. And a commercial test that the school recently administered showed that its average student entered sixth grade reading at about the fifth-grade level and finished the year at nearly the eighth-grade level.

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Democracy Prep doesn't boast a special curriculum, fancy classroom-management techniques, or smaller-than-average class sizes. Its success—like that of many good charter schools—has three primary ingredients: efficient use of funds, a culture of high expectations, and a "no excuses" approach to school discipline.

Democracy Prep, like other city charters, spends about as much per pupil as the surrounding district public schools do: though it doesn't receive capital funds from the state, it makes up the difference in philanthropic contributions and by locating the sixth grade in a public school virtually rent-free. But the school's charter status allows it to use its resources more wisely than the district schools do. Democracy Prep saves money by employing many young teachers, substituting 401(k)-style plans for the gold-plated, defined-benefit pensions bestowed in the traditional public sector, and eliminating administrative bloat. Thanks to these savings, the school can pay its teachers 10 percent above the traditional public school pay scale. The school also has money left over to provide students with enriching activities: before they graduate, Democracy Prep's kids, many of whom had rarely ventured out of their neighborhood, will have visited more than 75 college campuses and set foot on five continents. Again, all of this is done for about the same amount of money that advocates for traditional public schools say is insufficient to purchase even basic resources.

The second key to the school's success is its culture of excellence. As its name suggests, Democracy Prep teaches students that it's their responsibility to be active, engaged, and educated citizens. The school's motto stresses this message: "Work Hard. Go to College. Change the World!" At Democracy Prep, every adult is dedicated to sending every child to college—an attitude few would claim is widespread in the city's traditional public schools in poor neighborhoods. Teachers who don't believe that goal is reachable or are unwilling to do what's necessary to achieve it don't get hired, and those who manage to slip through the cracks don't last long. The college expectation permeates the atmosphere: homerooms are named after universities, usually the teacher's alma mater, and college banners from across the nation adorn the hallways. Since the school's first cohort hasn't reached graduation yet, we can't know for sure how many of these children will graduate and go to college. But their test scores and the look in their eyes suggest that their prospects are far more promising than those of their peers at ACE.

Democracy Prep teaches students that it's their responsibility to be active, engaged, and educated citizens.

The teachers live the culture of high expectations and accountability just as much as the students do. A principal in a typical public school observes his teachers in action once or twice a year, but administrators at Democracy Prep pop their heads into classrooms every day. And great teachers often jump at the chance to work in a school that pushes excellence. Last year, 4,000 teachers applied for about 20 openings at Democracy Prep.

Discipline is the final and perhaps most important element of the school's success. Democracy Prep is one of several exceptional charter schools that apply the "no excuses" model pioneered by the Knowledge Is Power Program, which now operates 82 charter schools in 19 states, including two in New York City. At Democracy Prep, kids sit at their desks and are expected to work at all times. They walk from one classroom to another quickly, quietly, and under adult supervision. The disciplinary policy is based on the Broken Windows approach that has worked wonders in big-city policing: the school deals with small infractions seriously and creates an environment in which major violations are simply unthinkable. On the day I visited Democracy Prep, the school took the uncommon step of requiring the sixth-graders to eat lunch in absolute silence because they had been "mean" to one

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another recently. I felt no need to ask whether weapons had been involved in the meanness. During lunch at ACE, by contrast, kids scream, basketballs bounce, and young boys run around unchecked.

Children seem happier in Democracy Prep's safe, structured environment, too. When you stroll through the school's hallways, you can feel curiosity, security, and even joy—a far cry from the noise and aggression that characterize ACE.

When critics of charter schools see places like Democracy Prep, they tend to respond with two arguments. The first is that Democracy Prep isn't typical. A few charter schools may be stellar, the critics admit, but most don't help children any more than traditional schools do.

In New York City, at least, that argument doesn't hold water. A recent study by Stanford University economist Caroline Hoxby found that about 45 percent of Gotham's charter-school students attend charters that have a positive influence on English proficiency, relative to the public schools that their students would have attended otherwise, of between 0.1 and 0.2 standard deviations (read "large difference"); for 31 percent of the students, it's more than 0.2 standard deviations (read "enormous difference"). Meanwhile, 16 percent attend charters that are roughly on par with their previous public schools, and only 8 percent attend charters that are worse. Hoxby's results in math were only slightly less positive.

The critics—led by the local teachers' union, the United Federation of Teachers (UFT)—focus on the few charters that are seriously underperforming, demanding that the city shut them down. That may indeed be the right approach with those schools, but the teachers' union is endorsing a glaring double standard, it's worth pointing out. When the city recently tried to close ACE and 18 other failing public schools, the UFT filed a lawsuit to keep them open, raising procedural objections to the closures. If a state Supreme Court judge hadn't ruled in the

A family rejoices after winning a spot at Democracy Prep, the top-performing school in Harlem.

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UFT's favor, last year's entering class of sixth-graders would have been the last to endure the mayhem within ACE's walls.

The critics' second argument is that charters' impressive performance is a mirage. The reason that New York charter schools report better educational outcomes than traditional public schools, they say, is that the charters attract students with higher proficiency levels. The critics claim that charters are really no more effective than the traditional schools; they're just starting with better students.

Ironically, what allows charter-school advocates to rebut that argument is the very lotteries that will one day, they hope, be unnecessary. The charters' random-selection policy has allowed Hoxby's team to evaluate them with a randomized field trial (RFT), the kind of experiment often described by social scientists as the "gold standard" in research design. RFTs resemble the clinical trials performed by pharmaceutical companies, which test a new drug by assembling a pool of subjects, randomly assigning subjects to receive either the drug or a placebo, and then comparing the subjects' condition. Similarly, Hoxby took a pool of subjects (students applying to New York City charter schools); took advantage of the random nature of the lotteries, which assigned the subjects either to charters or to traditional public schools; and then compared their academic achievement. Because access to a charter school is the only meaningful difference between the two groups—both applied to charter schools, after all—comparing the groups' later achievement really will tell us what effect charters have on student performance.

The RFT yielded unambiguously positive results. For the average applicant, the study's authors showed, winning a spot in a charter school in kindergarten leads to academic gains that close most of the test-score gap between the average student in Harlem and the average student in *Scarsdale*—a wealthy New York City suburb known for its high-performing schools—by the end of eighth grade. The charter-school critics have offered scant rebuttal to this remarkable finding, preferring to cite a study by another Stanford professor, Margaret Raymond, which found wide variation in charter-school performance nationwide. But when Raymond studied New York City's charter schools, she found results similar to Hoxby's. Many think that the reason that New York does better than the rest of the country is the state's tough charter-authorization process.

It turns out that charter-school lotteries aren't merely useful statistical tools; they also make for gripping theater, as two new documentaries demonstrate. In *The Lottery*, which opened at the Tribeca Film Festival this spring, first-time filmmaker Madeleine Sackler follows four kids hoping to be selected in the Harlem Success Academies' lottery. And *Waiting for "Superman,"* in theaters this fall, offers the best evidence to date that charter schools are no longer a reform sought by conservatives alone: the film was directed by Davis Guggenheim of *An Inconvenient Truth* fame, and it will be distributed and publicized by a major studio, Paramount. The climax of both films arrives when students learn their fate at the charter-school lotteries. They're suspenseful moments: viewers know that these are real children, some of whom may not get another chance for success in life.

Luckily, charters are expanding rapidly in New York. This spring—after a heated, yearlong battle in which the Hoxby study was repeatedly cited—the New York State Legislature raised the cap on the state's allowed number of charters from 200 to 460. With another 114 charter schools expected to open in New York City in the next four to five years and current schools continuing to expand, charters could soon serve as many as 10 percent of Gotham's kids and the lion's share of students in low-income neighborhoods like Harlem and the South Bronx.

Random chance shouldn't determine whether Harlem children go to great schools or broken ones. But thanks to random chance, we can say that the benefits accruing to New York students from charter schools are no longer in dispute. And the expansion of charters in New York City brings us a little closer to realizing what only recently seemed an impossible dream: a good education for all children that doesn't depend on the luck of the draw.

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Progressives Against Progress

The rise of environmentalism poisoned liberals' historical optimism.

Fred Siegel

For the first two-thirds of the twentieth century, American liberals distinguished themselves from conservatives by what Lionel Trilling called "a spiritual orthodoxy of belief in progress." Liberalism placed its hopes in human perfectibility. Regarding human nature as essentially both beneficent and malleable, liberals, like their socialist cousins, argued that with the aid of science and given the proper social and economic conditions, humanity could free itself from its cramped carapace of greed and distrust and enter a realm of true freedom and happiness. Conservatives, by contrast, clung to a tragic sense of man's inherent limitations. While acknowledging the benefits of science, they argued that it could never fundamentally reform, let alone transcend, the human condition. Most problems don't have a solution, the conservatives maintained; rather than attempting Promethean feats, man would do best to find a balanced place in the world.

In the late 1960s, liberals appeared to have the better of the argument. Something approaching the realm of freedom seemed to have arrived. American workers, white and black, achieved hitherto unimagined levels of prosperity. In the nineteenth century, only utopian socialists had imagined that ordinary workers could achieve a degree of leisure; in the 1930s, radicals had insisted that prosperity was unattainable under American capitalism; yet these seemingly unreachable goals were achieved in the two decades after World War II.

Why, then, did American liberalism, starting in the early 1970s, undergo a historic metanoia, dismissing the idea of progress just as progress was being won? Multiple political and economic forces paved liberalism's path away from its mid-century optimism and toward an aristocratic outlook reminiscent of the Tory Radicalism of nineteenth-century Britain; but one of the most powerful was the rise of the modern environmental movement and its recurrent hysterias.

If one were to pick a point at which liberalism's extraordinary reversal began, it might be the celebration of the first Earth Day, in April 1970. Some 20 million Americans at 2,000 college campuses and 10,000 elementary and secondary schools took part in what was the largest nationwide demonstration ever held in the United States. The event brought together disparate conservationist, antinuclear, and back-to-the-land groups into what became the church of environmentalism, complete with warnings of hellfire and damnation. Senator Gaylord Nelson of Wisconsin, the founder of Earth Day, invoked "responsible scientists" to warn that "accelerating rates of air pollution could become so serious by the 1980s that many people may be forced on the worst days to wear breathing helmets to survive outdoors. It has also been predicted that in 20 years man will live in domed cities."

Thanks in part to Earth Day's minions, progress, as liberals had once understood the term, started to be reviled as reactionary. In its place, Nature was totemized as the basis of the authenticity that technology and affluence had bleached out of existence. It was only by rolling in the mud of primitive practices that modern man could remove the stain of sinful science and materialism. In the words of Joni Mitchell's

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celebrated song "Woodstock": "We are stardust / We are golden / And we got to get ourselves back to the garden."

In his 1973 book *The Death of Progress*, Bernard James laid out an argument already popularized in such bestsellers as Charles Reich's *The Greening of America* and William Irwin Thompson's *At the Edge of History*. "Progress seems to have become a lethal idée fixe, irreversibly destroying the very planet it depends upon to survive," wrote James. Like Reich, James criticized both the "George Babbitt" and "John Dewey" versions of "progress culture"—that is, visions of progress based on rising material attainment or on educational opportunities and upward mobility. "Progress ideology," he insisted, "whether preached by New Deal Liberals, conservative Western industrialists or Soviet Zealots," always led in the same direction: environmental apocalypse. Liberalism, which had once viewed men and women as capable of shaping their own destinies, now saw humanity in the grip of vast ecological forces that could be tamed only by extreme measures to reverse the damages that industrial capitalism had inflicted on Mother Earth. It had become progressive to reject progress.

Rejected as well was the science that led to progress. In 1970, the Franco-American environmentalist René Dubos described what was quickly becoming a liberal consensus: "Most would agree that science and technology are responsible for some of our worst nightmares and have made our societies so complex as to be almost unmanageable." The same distrust of science was one reason that British author Francis Wheen can describe the 1970s as "the golden age of paranoia." Where American consumers had once felt confidence in food and drug laws that protected them from dirt and germs, a series of food scares involving additives made many view science, not nature, as the real threat to public health. Similarly, the sensational impact of the feminist book *Our Bodies, Ourselves*—which depicted doctors as a danger to women's

AP PHOTO

On the first Earth Day, in 1970, some scientists predicted that pollution would make "breathing helmets" necessary in ten years' time.

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well-being, while arguing, without qualifications, for natural childbirth—obscured the extraordinary safety gains that had made death during childbirth a rarity in developed nations.

Crankery, in short, became respectable. In 1972, Sir John Maddox, editor of the British journal *Nature*, noted that though it had once been usual to see maniacs wearing sandwich boards that proclaimed the imminent end of the Earth, they had been replaced by a growing number of frenzied activists and politicized scientists making precisely the same claim. In the years since then, liberalism has seen recurring waves of such end-of-days hysteria. These waves have shared not only a common pattern but often the same cast of characters. Strangely, the promised despoliations are most likely to be presented as imminent when Republicans are in the White House. In each case, liberals have argued that the threat of catastrophe can be averted only through drastic actions in which the ordinary political mechanisms of democracy are suspended and power is turned over to a body of experts and supermen.

Back in the early 1970s, it was overpopulation that was about to destroy the Earth. In his 1968 book *The Population Bomb*, Paul Ehrlich, who has been involved in all three waves, warned that "the battle to feed all of humanity is over" on our crowded planet. He predicted mass starvation and called for compulsory sterilization to curb population growth, even comparing unplanned births with cancer: "A cancer is an uncontrolled multiplication of cells; the population explosion is an uncontrolled multiplication of people." An advocate of abortion on demand, Ehrlich wanted to ban photos of large, happy families from newspapers and magazines, and he called for new, heavy taxes on baby carriages and the like. He proposed a federal Department of Population and Environment that would regulate both procreation and the economy. But the population bomb, fear of which peaked during Richard Nixon's presidency, never detonated. Population in much of the world actually declined in the 1970s, and the green revolution, based on biologically modified foods, produced a sharp increase in crop productivity.

In the 1980s, the prophets of doom found another theme: the imminent danger of nuclear winter, the potential end of life on Earth resulting from a Soviet-American nuclear war. Even a limited nuclear exchange, argued politicized scientists like Ehrlich and Carl Sagan, would release enough soot and dust into the atmosphere to block the sun's warming rays, producing drastic drops in temperature. Skeptics, such as Russell Seitz, acknowledged that even with the new, smaller warheads, a nuclear exchange would have fearsome consequences, but argued effectively that the dangers were dramatically exaggerated. The nuke scare nevertheless received major backing from the liberal press. Nuclear-winter doomsayers placed their hopes, variously, in an unverifiable nuclear-weapons "freeze," American unilateral disarmament, or assigning control of nuclear weapons to international bodies. Back in the real world, nuclear fears eventually faded with Ronald Reagan's Cold War successes.

The third wave, which has been building for decades, is the campaign against global warming. The global-warming argument relied on the claim, effectively promoted by former vice president Al Gore, that the rapid growth of carbon dioxide in the atmosphere was producing an unprecedented rise in temperatures. This rise was summarized in the now-notorious "hockey stick" graph, which supposedly showed that temperatures had been steady from roughly AD 1000 to 1900 but had sharply increased from 1900 on, thanks to industrialization. Brandishing the graph, the UN's Intergovernmental Panel on Climate Change predicted that the first decade of the twenty-first century would be even warmer. As it turned out, temperatures were essentially flat, and the entire global-warming argument came under increasing scrutiny. Skeptics pointed out that temperatures had repeatedly risen and fallen since AD 1000, describing, for instance, a "little ice age" between 1500 and 1850. The global-warming panic cooled further after a series of e-mails from East Anglia University's Climatic Research Unit, showing apparent collusion among scientists to exaggerate warming data and repress contradictory information, was leaked.

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As with the previous waves, politicized science played on liberal fears of progress: for Gore and his allies at the UN, only a global command-and-control economy that kept growth in check could stave off imminent catastrophe. The anti-progress mind-set was by then familiar ground for liberals. Back in the 1970s, environmentalist E. J. Mishan had proposed dramatic solutions to the growth dilemma. He suggested banning all international air travel so that only those with the time and money could get to the choice spots—thus reintroducing, in effect, the class system. Should this prove too radical, Mishan proposed banning air travel "to a wide variety of mountain, lake and coastal resorts, and to a selection of some islands from the many scattered about the globe; and within such areas also to abolish all motorised traffic." Echoing John Stuart Mill's mid-nineteenth-century call for a "stationary state" without economic growth, Mishan argued that "regions may be set aside for the true nature lover who is willing to make his pilgrimage by boat and willing leisurely to explore islands, valleys, bays, woodlands, on foot or on horseback."

In the 1980s, the prophets of doom found another theme: the imminent danger of nuclear winter.

As such proposals indicate, American liberalism has remarkably come to resemble nineteenth-century British Tory Radicalism, an aristocratic sensibility that combined strong support for centralized monarchical power with a paternalistic concern for the poor. Its enemies were the middle classes and the aesthetic ugliness it associated with an industrial economy powered by bourgeois energies. For instance, John Ruskin, a leading nineteenth-century Tory Radical and a proponent of handicrafts, declaimed against "ilth," a negative version of wealth produced by manufacturing.

Like the Tory Radicals, today's liberal gentry see the untamed middle classes as the true enemy. "Environmentalism offered the extraordinary opportunity to combine the qualities of virtue and selfishness," wrote William Tucker in a groundbreaking 1977 *Harper's* article on the opposition to construction of the Storm King power plant along New York's Hudson River. Tucker described the extraordinary sight of a fleet of yachts—including one piloted by the old Stalinist singer Pete Seeger—sailing up and down the Hudson in protest. What Tucker tellingly described as the environmentalists' "aristocratic" vision called for a stratified, terraced society in which the knowing ones would order society for the rest of us. Touring American campuses in the mid-1970s, Norman Macrae of *The Economist* was shocked "to hear so many supposedly left-wing young Americans who still thought they were expressing an entirely new and progressive philosophy as they mouthed the same prejudices as Trollope's 19th century Tory squires: attacking any further expansion of industry and commerce as impossibly vulgar, because ecologically unfair to their pheasants and wild ducks."

Neither the failure of the environmental apocalypse to arrive nor the steady improvement in environmental conditions over the last 40 years has dampened the ardor of those eager to make hair shirts for others to wear. The call for political coercion as a path back to Ruskin's and Mishan's small-is-beautiful world is still with us. Radical environmentalists' Tory disdain for democracy and for the habits of their inferiors remains undiminished. True to its late-1960s origins, political environmentalism in America gravitates toward both bureaucrats and hippies: toward a global, big-brother government that will keep the middle classes in line *and* toward a back-to-the-earth, peasantlike localism, imposed on others but presenting no threat to the elites' comfortable lives. How ironic that these gentry liberals—progressives against progress—turn out to resemble nothing so much as nineteenth-century conservatives.

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A Twenty-First-Century GOP

Republicans need to win back tech-savvy, educated voters. Here's how.

Tevi D. Troy

With President Obama's job-approval ratings in free fall, Republicans feel justifiably confident about the 2010 congressional elections. But even if the GOP has recovered some swagger, the party's long-term political fortunes require it to recover something else: the votes of well-educated, well-compensated elites. Over the past decade and a half, Republicans have watched scientists, high-tech workers, doctors, financial leaders, and academics in engineering and business abandon the party in favor of the Democrats. This exodus has weakened the GOP politically and left it dependent on white evangelical voters. But the elites' home could again be the Republican Party—if the Republicans welcome them back.

An interviewer once asked Karl Rove to define the Democratic Party's base. "Anyone with a doctorate," he responded. This wasn't true in the past. Back in 1975, Everett Ladd and Seymour Lipset found that university professors in the hard sciences leaned somewhat Republican, unlike their colleagues in the humanities. Ladd and Lipset also discovered that while 64 percent of social-science professors were liberals, only 24 percent of engineering professors and 23 percent of business professors were. In fact, when Ladd and Lipset looked at the 1968 and 1972 elections, the Republican candidate—none other than Richard Nixon, the scourge of humanities profs—managed to "command solid majorities among professors of business, engineering, and agriculture." Overall, 43 percent of faculty members backed Nixon.

The conservative foothold in faculty lounges began to loosen as the seventies ended, and by the new millennium, academic Republicans had become much harder to spot, even in traditionally conservative disciplines. In the 2004 election, pollster Gary Tobin reported, John Kerry secured 72 percent of the faculty vote, with the candidate also getting 72 percent among science and math professors and even managing to win half of the business and management faculty. The trend of scientists voting Democratic has gone beyond the campus: according to a 2009 poll, only 6 percent of all American scientists called themselves Republicans, compared with 55 percent self-identifying as Democrats.

Republicans have started to lose Wall Street, too. From 1998 to 2007, reports the activist group Wall Street Watch, 55 percent of commercial banks' campaign contributions went to Republicans. George W. Bush beat Al Gore in Wall Street

NORBERT VON DER GROEBEN/THE IMAGE WORKS

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Free trade and skills-based immigration reform would appeal to these Silicon Valley workers.

dollars—$4 million to $1.4 million in 2000—and he nearly doubled Kerry's $4 million take in 2004. But these leads have disappeared over the last few years, with the Democrats gaining a majority of Wall Street contributions in 2008.

Doctors, like Wall Street execs, have a Republican history, but there are signs that they, too, are moving away from the party. From 1998 through 2006, Republicans garnered 67 percent of all campaign contributions from the American Medical Association; but by 2008, Democrats were pulling in 56 percent, and the AMA proceeded to support President Obama's healthcare overhaul. While the AMA represents only 29 percent or so of American doctors, this is a troubling development for the GOP.

Republicans are also failing to secure the votes of an emerging group that should naturally align with the party: libertarian-leaning workers in Silicon Valley and other high-tech enclaves. Despite the Valley's entrepreneurial, leave-us-alone spirit, two-thirds of tech-industry contributions went to Democrats in the 2008 election cycle, according to Opensecrets.org.

What's behind the Republican Party's poor performance with these key groups? After all, they are often pro-innovation and anti-regulation, tend to favor lower taxes, and frequently prefer what works to bromides about what might be. Various factors explain the disaffection. Scientists particularly disliked George W. Bush, believing the misleading arguments about a Republican "war on science." Silicon Valley and Wall Street executives have not seen enough pro-growth policies from the GOP to overcome their dislike of the party's social policies. And

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doctors have seen far too few Republican proposals to improve our health-care system. This unfortunate silence helped build momentum among doctors for the health-care bill—even though, as Scott Gottlieb recently argued in the *Wall Street Journal*, the bill is driving many to abandon private practice for the apparent safety of HMOs and large hospital networks.

These elite groups share an important characteristic: a deep attachment to science and technology. So a serious, technology-friendly Republican agenda could begin to reverse the party's losses and could do so, moreover, without alienating the GOP's evangelical base. The agenda would have five commonsense components.

First, Republicans should encourage innovation, especially in areas, like health care, that provide benefits to millions of Americans. During the health-reform debate, Republicans were eager to discuss how Democratic proposals would harm innovation, but they failed to explain how they themselves would help it. One way would be to promote the development of lifesaving and life-extending products by offering clearer pathways to FDA approval of new drugs and treatments. In addition, tort reform could help reduce what the Pacific Research Institute estimates is $367 billion that American companies lose in product sales each year by fighting litigation instead of developing new products.

Second, Republicans should work to ensure that America has access to the world's best technological minds. Throughout our history, we've done this by both nurturing native-born brainpower (like Thomas Edison's) and attracting great minds from elsewhere (like Albert Einstein's). Our legal immigration system currently emphasizes family reunification. Refocusing it to award residency to people with desirable skills, as countries like Australia and Canada do, would help us attract more of the best and brightest. Another good step would be granting green cards to foreign nationals who earn advanced technical degrees in math, science, or medicine from accredited American institutions—instead of requiring them to leave the country and apply for reentry, as we do now. This change would take advantage of America's top-flight universities and mask the weakness of our K–12 educational system. According to *U.S. News and World Report*, America has 13 of the world's best 20 universities, and students from around the world clamor to attend them.

The failed Kennedy-McCain immigration-reform bill of 2005 did create a points system for those with certain education or employment credentials. Unfortunately, the skills-based features of the bill were lost in the larger battle over *illegal* immigration. Republicans should try to divorce this issue—which divides the party—from the potentially unifying one of encouraging skilled legal immigrants. The GOP could then draw a sharp contrast with Democrats, who tend to oppose skills-based immigration.

The third way that Republicans can regain the elite, tech-friendly votes that they've lost is recommitting themselves to free trade. In the past, Republicans were overwhelmingly in favor of free trade and could find enough like-minded Democrats to pass multilateral and bilateral trade agreements, NAFTA being the most famous example. Nowadays, Democrats generally resist free trade and cooperate with enough protectionist Republicans to block free-trade agreements, regardless of who controls Congress.

President Bush must take some of the blame for this reversal, especially by imposing steel tariffs during his first term, fulfilling a campaign promise made in West Virginia. On the other hand, he did promote bilateral agreements to jump-start free trade while cumbersome multilateral negotiations like the World Trade Organization's Doha round dragged on. President Obama, for his part, has been largely unfriendly to free trade, imposing a fee on imported tires from China, for example. According to the *Washington Post*, the Chinese unsurprisingly saw this as "a political concession to U.S. labor unions" and retaliated, worsening trade tensions between the two countries. Incidents like these have given Republicans an opportunity to rediscover their inner David Ricardo.

Fourth, Republicans should capitalize on the Democrats' recent spending spree, which has

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opened the door for a message about fiscal discipline. It's true that cutting personal income taxes no longer has the resonance it once did, since only 47 percent of Americans pay any federal income tax. (When I served in the Bush White House, I worked on policy papers bragging that the president's tax cuts took 5 million Americans off the income-tax rolls; what the papers didn't say was that this change made 5 million more Americans uninterested in what had been the GOP's strongest talking point.) But the party should not retreat on other questions of taxation and especially budgets. Innovation-centered voters understand that our current fiscal path of $1.4 trillion deficits is unsustainable. Republicans need to issue a mea culpa for their past contributions to the nation's fiscal problems and articulate a serious plan for digging us out of our crushing debt hole.

The GOP should capitalize on the Democrats' spending, which has opened the door for a message about fiscal discipline.

At the same time, Republicans should promote tax simplification, as President Reagan did in 1986. Administering the 67,500-page federal income-tax code requires 100,000 IRS employees and costs our economy between 2 and 5 percent of GDP in lost efficiency, according to the Government Accountability Office. Limiting the number of rates and loopholes, while increasing the standard deduction, would help reduce these inefficiencies and costs. Senators Ron Wyden of Oregon and Judd Gregg of New Hampshire have created a bipartisan proposal along these lines, and Republicans should make sure that they remain out front with other tax-simplification proposals.

Fifth, Republicans should put improving our educational system front and center, so that we can increase the number of high-skilled workers. One way to do this is to use Title I, which is supposed to help educate 10 million poor children and to promote flexibility and better educational outcomes. Republicans used to support Title I "portability"—that is, attaching Title I dollars to students rather than linking them to a bureaucratic formula that rewards specific schools, regardless of performance. Republicans dropped this idea as a concession to Democrats during the No Child Left Behind negotiations, but they can pick it up again. Having Title I's $14 billion follow our neediest children will encourage schools to be accountable to parents and allow parents to direct money to schools that work best, whether public or private.

This reform would have a number of political advantages. The recently oversubscribed school choice experiment in the District of Columbia shows that parents, regardless of their ideology, want more of a say in the kind of education their children receive. As many as four in ten parents already send a child to a school other than their local public one. More to the point for political purposes is that well-educated voters, including business leaders, recognize how our deficient K–12 system harms American competitiveness by consigning poor kids to failing schools.

Not only would this five-part agenda appeal to the highly educated, high-income voters who once backed the GOP; it also couldn't be replicated by the Democratic Party because of the interest-group politics that govern so many Democratic policy choices. Democrats can't back tort reform, for example, because trial lawyers would balk. They can't advocate free trade or high-skilled immigration because of labor unions' objections. School choice, even within public schools, is anathema to the Democrat-supporting teachers' unions. Budget discipline gets in the way of ambitious Democratic spending plans.

An agenda that joins pro-technology voters to the GOP's evangelical base would make the party truly formidable electorally. And it would do something far more important: it would help America maintain its technological supremacy going forward.

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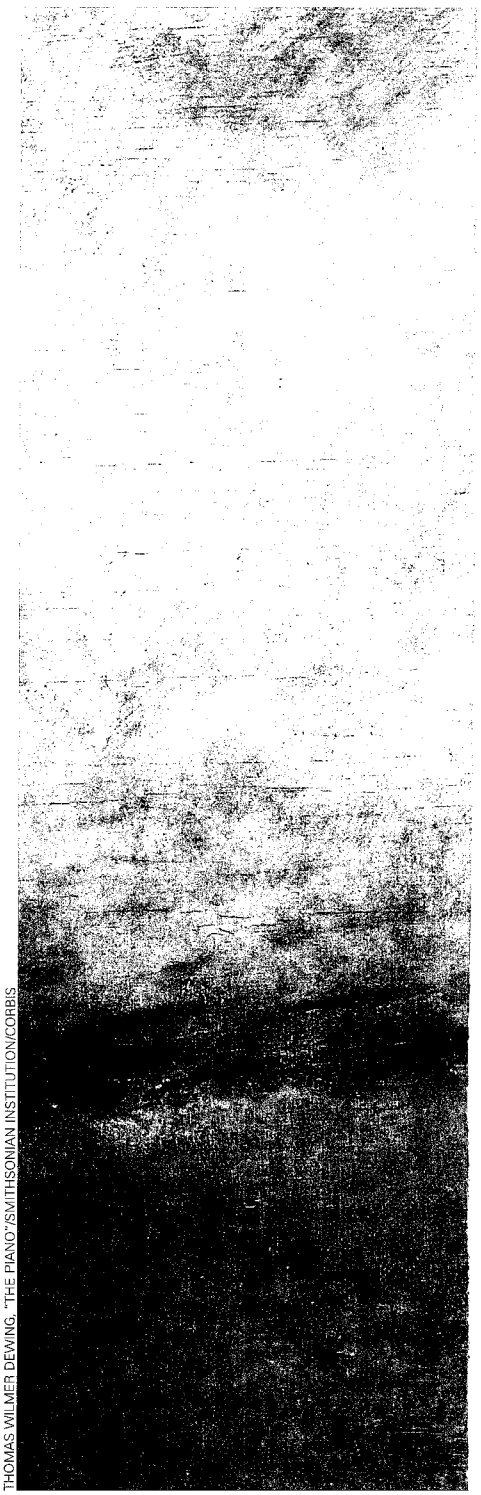
Classical Music's New Golden Age

Heather Mac Donald

Thanks to period-music evangelists, breathtaking virtuosity, and millions of listeners, the art form remains vibrant.



THOMAS WILMER DEWING, "THE PIANO"/SMITHSONIAN INSTITUTION/CORBIS

Anyone inclined to lament the state of classical music today should read Hector Berlioz's *Memoires*. As the maverick French composer tours mid-nineteenth-century Europe conducting his revolutionary works, he encounters orchestras unable to play in tune and conductors who can't read scores. A Paris premiere of a Berlioz cantata fizzles when a missed cue sets off a chain reaction of paralyzed silence throughout the entire sorry band. Most infuriating to this champion of artistic integrity, publishers and conductors routinely bastardize the scores of Mozart, Beethoven, and other titans, conforming them to their own allegedly superior musical understanding or to the narrow taste of the public.

Berlioz's exuberant tales of musical triumph and defeat constitute the most captivating chronicle of artistic passion ever written. They also lead to the conclusion that, in many respects, we live in a golden age of classical music. Such an observation defies received wisdom, which seizes on every symphony budget deficit to herald classical music's imminent demise. But this declinist perspective ignores the more significant reality of our time: never before has so much great music been available to so many people, performed at levels of artistry that would have astounded Berlioz and his peers. Students flock to conservatories and graduate with skills once possessed only by a few virtuosi. More people listen to classical music today, and more money gets spent on producing and disseminating it, than ever before. Respect for a composer's intentions, for which Berlioz fought so heroically, is now an article of faith among musicians and publishers alike.

True, the tidal wave of creation that generated the masterpieces we so magnificently perform is spent; we're left to scavenge the marvels that it cast up. The musical language that united Bach, Schubert, Mahler, and Prokofiev finally dissolved into inaccessible atonalism by the mid-twentieth century; subsequent efforts to reconstitute it have yet to gather the momentum of the past. But in recompense for living in an age of musical

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re-creation, we occupy a vast musical universe, far larger than the one that surrounded a nineteenth-century resident of Paris or Vienna. We can hear the beauty in the poignant chromaticism of Gesualdo and the mysterious silences of C. P. E. Bach, no less than in the by now more familiar cadences of Beethoven and Brahms.

And at a time when much of the academy has lost interest in history, contemporary classical-music culture is one of the last redoubts of the humanist impulse. The desire to know the past has grown white-hot among certain musicians over the last 50 years, resulting in a performance revolution that is the most dynamic musical development in recent times.

A twenty-first-century music lover plunged into the concert world of the eighteenth and nineteenth centuries would find himself in an alien land, surrounded by strange customs and parochial tastes. Works that we now regard as formally perfect were dismembered: only a single movement of a work's full three or four might ever be performed, with the remaining movements regarded as inessential. Musical forms, such as the sonata, that are central to contemporary performance practice were kept out of the concert hall, considered too difficult for the public to absorb. And the universal loathing directed by today's audiences at the hapless recipient of a mid-performance cellphone call would have struck eighteenth-century audiences as provincial, given the widespread use of concerts and opera as pleasant backdrops for lively conversation.

But the greatest difference between the musical past and present is what we might call musical teleology: the belief that music progresses over time. That belief had consequences that many contemporary listeners and musicians would find shocking. Throughout much of Western history, older works held little interest for average listeners—they wanted the most up-to-date styles in singing and harmony. Seventeenth-century Venetians shunned last year's operas; nineteenth-century Parisians yawned at the elegant entertainments written for the Sun King. Composers like Bach, today viewed as cornerstones of Western civilization, were seen as impossibly old-fashioned several decades after their deaths. In his 1823 *Life of Rossini*, Stendhal wondered: "What will happen in twenty years' time when *The Barber of Seville* [composed in 1816] will be as old-fashioned as *Il Matrimonio Segreto* [a 1792 opera by Domenico Cimarosa] or *Don Giovanni* [1787]?" Stendhal's musical crystal ball obviously had its flaws.

Berlioz was in many ways a musical teleologist himself, but he fiercely opposed the widespread outcome of the belief in musical progress: the posthumous rewriting of scores. Performers and publishers unapologetically revised works that we now regard as transcendent, seeking to correct their perceived deficiencies and bring them up to newer standards of orchestration and harmony. After describing a particularly brutal mauling of *The Magic Flute* for its 1801 Paris premiere and a dumbing-down of Carl Maria von Weber's *Der Freischütz*, Berlioz erupts: "Thus, dressed as apes, got up grotesquely in cheap finery, one eye gouged out, an arm withered, a leg broken, two men of genius were introduced to the French public! . . . No, no, no, a million times no! You musicians, you poets, prose-writers, actors, pianists, conductors, whether of third or second or even first rank, you do not have the right to meddle with a Shakespeare or a Beethoven, in order to bestow on them the blessings of your knowledge and taste."

Conservative pedagogues altered scores as well—on the ground that they were too *modern*. Berlioz headed off at the last minute what he called "emasculations" to Beethoven's avant-garde harmonies that the influential music critic and teacher François-Joseph Fétis had surreptitiously introduced into a forthcoming edition of Beethoven's symphonies.

For all Berlioz's efforts to preserve the score's integrity, however—during a performance of Gluck's *Iphigénie en Tauride*, he shouted from the audience: "There are no cymbals there. Who has dared to correct Gluck?"—he could not dislodge the practice of "improving" older works of music. Virtuosi added to a piece

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whatever fireworks the composer had carelessly neglected to include. In 1837, Franz Liszt had a pang of conscience over his habit of pumping up his performances of Beethoven, Weber, and Johann Nepomuk Hummel with rapid runs and cadenzas. He briefly saw the error of his ways: "I no longer divorce a composition from the era in which it was written, and any claim to embellish or modernize the works of earlier periods seems just as absurd for a musician to make as it would be for an architect, for example, to place a Corinthian capital on the columns of an Egyptian temple." But he soon fell off the wagon and went back to crowd-wowing revisions, reports Kenneth Hamilton in his mesmerizing study of Romantic pianism, *After the Golden Age*.

Over the course of the nineteenth century, the concept of a musical canon emerged and displaced the zeal for new music in concert programming. Yet the updating of scores continued. Gustav Mahler added new parts for horns, trombones, and other instruments when he conducted Beethoven's symphonies. An influential edition of Beethoven's piano sonatas by the pianist and conductor Hans von Bülow recommended that pianists substitute Liszt's ending of the *Hammerklavier* Sonata for Beethoven's own, "to give the closing measures the requisite brilliancy."

Even in the canon-revering twentieth century, the teleologists remained cheeky. Arnold Schoenberg explained his reorchestration of Handel's Concerti Grossi, op. 6, as remedying an "insufficiency with respect to thematic invention and development [that] could satisfy no sincere contemporary of ours." At the start of a 1927 recording of Chopin's *Black Key* Étude, the pianist Vladimir de Pachmann announces: "The left hand of this étude is entirely altered from Chopin: it's better, modernized, more melodic, you know." A contemporary listener, drawn to Beethoven, Handel, and Chopin precisely for what is unique in their voice and sensibility, can only marvel at the confidence with which earlier generations declared such music in need of improvement.

In the second half of the twentieth century, a performance practice broke out that rejected, in the strongest possible way, the teleological understanding of music. An overwhelming drive possessed certain conductors, instrumentalists, and singers to re-create the music of the pre-Classical era—from the medieval through the baroque periods—as it was performed at the time of its composition.

These musicians discarded the modern steel-strung and -armatured instruments that had evolved in the nineteenth century and learned to play the gut-strung, fragile instruments of the Renaissance and baroque periods. They pored over music treatises, prints, and other historical materials to discover, say, how a seventeenth-century violinist attacked his instrument, how he handled the shorter, curved bow of the period, how he phrased and ornamented a line, how much vibrato he used. Needless to say, any thought of "modernizing" a score's harmonies or orchestration was out of the question. These history-obsessed musicians didn't want to bring the music of the past into the present; they wanted to enter the past on its own terms. The stylistic particularities of older music that, according to the teleologists, limited its potential, were for these revolutionaries its very essence.

The results were a revelation. The sound of these performances of Bach, Handel, and Vivaldi was light and nuanced; the music pulsed with energy. Trading the large modern orchestra for small baroque ensembles of temperamental instruments was like exchanging a leather-upholstered Cadillac for a frisky, unbroken colt. The premodern horns—unreliable and highly prone to indiscretions—blared out with a glorious astringency. The timpani shot from the orchestra with hair-raising force. Conductors emphasized the dance elements in baroque music, inflecting certain beats within measures as a courtier might beckon to his dance partner. An unfamiliar and seductive voice—the countertenor—emerged to take on roles in baroque operas and masses that castrati originally sang.

This "early-music" movement (also known as "period-instrument" and "authentic-performance") was a deliberate strike against the classical-music establishment. It provoked a counterreaction and a sharp

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philosophical debate about the nature of performance and the proper role of historical knowledge in music-making (see box, page 104). Listeners and performers remain divided over whether the music of Bach and Mozart is best realized by a nineteenth-century-era orchestra using contemporary methods of expression (violinist Itzhak Perlman maintains: "I'm certain Haydn and Mozart would have adored our modern approach to phrasing and vibrato") or by a small period-instrument ensemble seeking to re-create earlier performance techniques.

But regardless of such disagreements, the value of the movement to our musical life has been indisputable. It has unleashed arguably the most concentrated rediscovery of lost music in history. Composers that had lain silent for centuries—Jean-Féry Rebel, Johann Friedrich Fasch, Heinrich Ignaz Biber, to name just a handful—are heard again. Hundreds of groups of specialists are busily digging into twelfth-century plainchant and thirteenth-century troubadour traditions. Unfamiliar repertoire by overly familiar composers is also being restored. The Naïve label, in one of the greatest recording projects of the early-music movement, is releasing all of Vivaldi's operas. A wind blows through these magnificent, mostly unpublished works, but even when the rhythms are most propulsive, a deep melancholy pervades the music. Naïve's recording of the haunting duet for mezzo and chalumeau (a proto-clarinet) from the oratorio *Juditha Triumphans*, "Veni, me sequere fida," is alone a contribution to civilization.

The public's ear for this music has expanded accordingly. In the eighteenth and nineteenth centuries, a few aristocratic salons hosted private performances of Renaissance and early baroque music, but outside those elite settings, there was no commercial demand for pre-Classical music. Today, by contrast, enough people are eager for works from remote eras to put the medieval *a cappella* ensemble Anonymous 4 on the top of *Billboard* charts. Jordi Savall's Renaissance music group Hesperion XXI brings audience members to their feet during performances. Early-music festivals have even reached Missoula, Montana, where Heinrich Schütz's *Musikalisches Exequien* was performed in March 2010, and Indianapolis, which offered Spanish ballads from the time of Cervantes in June 2010. The New York vocal group Polyhymnia invites its audience to "glimpse behind the tapestried walls of the ducal court at Munich, to hear the psalms kept for the private use of their patron," assuming in their listeners the same desire to know the past that animates the performers themselves. Amateurs also perform this previously discarded music. Camps teaching medieval chant are ubiquitous, from Evansville, Indiana, to Litchfield, Connecticut. Reed, viol, and lute players can brush up on their skills at the Summer Texas Toot in Austin; San Jose, California, hosts a workshop for recorder players.

The movement has also demolished one tiresome credo of classical-music critics: that the way to revitalize the concert tradition is to program contemporary music. It is surely the case that the concert repertoire, derived from a narrow slice of the musical universe, is in desperate need of *new* music. But the critics are wrong in defining "new music" exclusively as contemporary. The public could not be more unequivocal: it finds little emotional significance in most contemporary classical music, especially that produced in academic enclaves. The early-music movement offers two alternative definitions of "new music": the standard repertoire, such as Mozart's symphonies, performed in entirely new ways; and unknown repertoire from the pre-Classical period. Though the reinterpretation of the standard repertoire has had the biggest commercial impact, it is the second definition of "new music" that should animate concert programming today. Countless compelling works, not just from the pre-Classical period, cry out for rediscovery: Haydn's Sturm und Drang symphonies, Dvořák's piano music, and virtually unknown composers such as Zdeněk Fibich. Thousands of listeners, frustrated by the constricted concert canon, would eagerly support the performance of unknown old music.

The caliber of musicianship also marks our age as a golden one for classical music. "When

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I was young, you knew when you heard one of the top five American orchestras," says Arnold Steinhardt, the first violinist of the recently disbanded Guarneri Quartet. "Now, you can't tell. Every orchestra is filled with fantastic players." Steinhardt is ruthless toward his students when they're preparing for an orchestra audition. "I'll tell them in advance: 'You didn't get the job. There are 250 violinists competing for that place. You have to play perfectly, and you sure didn't play perfectly for me.'"

The declinists who proclaim the death of classical music might have a case if musical standards were falling. But in fact, "the professional standards are higher everywhere in the world compared to 20 or 40 years ago," says James Conlon, conductor of the Los Angeles Opera. A vast oversupply of students competing to make a career in music drives this increase in standards.

Much of that student oversupply comes from Asia. "The technical proficiency of the pianists from Asia is staggering," says David Goldman, a board member at New York's Mannes College of Music, where applications are at a record high. Asia has fallen in love with classical music; many parents believe that music training is an essential part of their children's development. "The only way to survive when you're in a pool of literally hundreds of thousands of other Asian kids is to outwork your competition," says Tom Vignieri, the music producer of the effervescent NPR show *From the Top*, which showcases school-age classical musicians.

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Far Eastern countries are trying to build up their own conservatory system to meet the demand for music training—Robert Dodson, head of the Boston University School of Music, recalls with awe the Singapore Conservatory's 200,000 square feet of marble—but so far, demand outstrips supply. When Lang Lang, today an internationally acclaimed pianist, was admitted to Beijing's Central Conservatory in the early 1990s, he was one of 3,000 students who had applied for just 12 fifth-grade spots. And those 3,000 were the cream of the 50 million children who study music in China, including 36 million young pianists.

For now, the West's conservatories continue to attract Asia's top talent. Nineteen-year-old Meng-Sheng Shen, a slender freshman at Juilliard, dreamed of a concert career while still a piano student in Taiwan. "In Taiwan, I felt: 'It's not that hard to win,' " he says. In New York, however, "you see a lot of people who play *really* well," Shen marvels, and so this acolyte of Chopin, Liszt, and Rachmaninoff has recalibrated his plans to include the option of teaching as well as concertizing.

Plenty of young Americans, too, are pursuing training in the nation's 600-plus college music programs, whose unlikely locations, such as at California State University, Fresno, testify to the far-flung desire for musical sublimity. An efficient talent-spotting machine vacuums up promising young oboists and violinists from every Arkansas holler and Oregon farm town and propels them to ever-higher levels of instruction and competition.

The Early-Music Quarrel

By the mid-twentieth century, nearly all performers respected the letter of the score and dedicated themselves to realizing its spirit as well. But to the early-music advocates, the establishment musicians seriously misunderstood that spirit, at least regarding the pre-Classical repertoire.

Over the course of the twentieth century, the baroque composers—above all, Bach and Handel—had been taking on more and more weight and waddling ever more ponderously, as mainstream conductors assimilated them to late-Romantic performance styles. Early-eighteenth-century works sounded suspiciously Wagnerian—with long legato lines and a smooth, creamy sound, performed by ensembles many magnitudes larger than anything ever marshaled during the baroque or classical eras. Conductor Ivan Fischer recently recalled a Leopold Stokowski performance of Bach, after which musicians left the stage to *pare down* for Bruckner, the epitome of late-Romantic gigantism. While massive ensembles may have magnified the spiritual force of the music for some listeners, the orchestral inflation at the very least obscured the intricate contrapuntal writing for different instrumental voices. With a chorus of 200, no one is going to hear the flutes delicately doubling the sopranos' line in a Bach oratorio.

In rejecting this supersized sound, the early-music acolytes (whose first modern wave included Gustav Leonhardt, Frans Brüggen, Nikolas Harnoncourt, Ton Koopman, and Christopher Hogwood) embraced a fallen historical consciousness, compared with the prelapsarian innocence of mainstream musicians. (The authenticity movement had late-nineteenth- and early-twentieth-century antecedents, but those early experiments never achieved critical mass.) Where the great titans of traditional twentieth-century performance—conductors such as Wilhelm Fürtwangler and Otto Klemperer—assumed a continuity between the past and the present that guaranteed the fidelity of their interpretations, the early-music advocates saw discontinuity. The essence of the music of the past was no longer intuitively available to us but required historical research to recover, they believed. A gulf separated Bach's world from ours; we could no longer assume that modern performing traditions expressed his intentions.

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The poise and exuberance of these budding performers can be breathtaking. At the 2007 finals for the Metropolitan Opera's National Council Auditions, a young tenor's eyes shone with the erotic power of commanding that massive house, a smile of mastery playing over his lips, as he flung out the high Cs of "Ah! mes amis" from Donizetti's *La Fille du Regiment*. (The moment was captured in the documentary *The Audition*.) A self-possessed black pianist from Chicago, Jeremy Jordan, coolly unfurled the feathery arpeggios and midnight harmonies of his own virtuosic transcriptions of Wagner, Richard Strauss, and Saint-Saëns at a Juilliard student recital this year. Beneath Jordan's laconic demeanor lies a deep belief in classical music. "It's not as if kids don't like music like this," the lanky 20-year-old insists. "Liszt, Wagner, Chopin—it's beautiful; it just takes one hearing."

ut however vibrant classical music's supply side, many professionals worry that audience demand is growing ever more anemic. Conlon calls this imbalance the "American paradox": "The growth in the quantity and quality of musicians over the last 50 years is phenomenal. America has more great orchestras than any country in the world. And yet I don't know of a single orchestra, opera company, or chamber group that isn't fighting to keep its audience." The number of Americans over the age of eight who attended a classical-music performance dropped 29 percent from 1982

he early-music movement quickly attained commercial success and just as quickly provoked a backlash, primarily from musicians who objected to the implication that their performances were inauthentic. Some objections were aesthetic: these old instruments sound weak and thin, critics said; stronger models have superseded them for good reason. We need a revival of period strings as much as we need a revival of period dentistry, one wag observed. In a 1990 interview, violinist Pinchas Zuckerman called historical performance "asinine STUFF . . . a complete and absolute farce. Nobody wants to hear that stuff."

Other objections were normative. "Musical archaism may be a symptom of a disintegrating civilization," musicologist Donald Grout wrote at the start of the modern period-instrument movement. A composer of early music, if he came back to life today, would be astonished by our interest in how music was performed in his own times, Grout asserted. "Have we no living tradition of music, that we must be seeking to revive a dead one?" the composer would ask.

The most interesting challenges to the historical-performance movement, however, have been philosophical. Historically accurate performance is unattainable, critics like Richard Taruskin of the University of California at Berkeley charged. There are too many stylistic unknowns, too many variables regarding tempo and phrasing, to think that treatises on technique or illustrations of musicians playing an instrument can lead to the movement's Holy Grail: the way a piece sounded at its creation. Further, the very idea of an authentic performance is incoherent, the skeptics said: Which performance of a work should we view as authentic? Its premiere? But what if that performance—or every subsequent one during a composer's lifetime—failed to realize the composer's conception because of inadequate rehearsals or mediocre musicians, as Berlioz so frequently experienced?

The naysayers pointed out that the context of musical performance has changed so radically from the pre-Romantic era that we cannot hope to re-create its original meaning. For most of European history, music belonged to social ritual, whether it accompanied worship, paid homage to a king, or provided background for a feast. A large concert hall filled with silent listeners, focused intently on an ensemble of well-fed professionals still in possession of most of their teeth, has no counterpart in early-music history. Early-music proponents,

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to 2008, according to the League of American Orchestras (though attendance at *all* leisure activities plummeted during that period as well, including a 36 percent drop in attendance at sporting events).

Recent conservatory graduates, struggling for work, find their commitment to a music career tested almost daily. "The culture seems to have a shrinking capacity for what I love," says Jennifer Jackson, a 30-year-old pianist who studied at the Peabody Institute in Baltimore. The audience has a limited ability to follow serious music, Jackson says. "To make a profit, you have to intersperse lots of things that people can handle musically."

These perceptions, however valid, should be kept in historical perspective. Much of today's standard repertoire was never intended for a mass audience—not even an 1820s Viennese "mass audience," much less a 2010 American one. Nineteenth-century performers regarded the music that constitutes the foundation of today's repertoire with trepidation, since they feared—rightly at the time—that it would prove too challenging for the public. Composers wrote sonatas and chamber works either for students or for private performance in aristocratic salons, not for public consumption. True public concerts—those intended to make a profit—resembled *The Ed Sullivan Show*, not the reverential communing with greatness that we take for granted today. Light crowd-pleasers—above all, variations on popular opera themes—leavened more serious works,

the detractors added, are highly selective in their use of historical evidence. No one today conducts the operas of Jean-Baptiste Lully, for example, by pounding a staff on the floor, as conductors did in the court of Louis XIV to try to keep time in an ensemble of less-than-perfectly trained musicians.

Taruskin launched the intended coup de grâce. The predominant early-music style has nothing to do with historical evidence, he charged, and everything to do with the modernist aesthetic. The style's fleet rhythms and transparent textures are a reaction against the excesses of subjectivity and expression characteristic of Romanticism; the shaky historical arguments on its behalf are just after-the-fact window dressing.

everal of the arguments against the period-instrument movement had bite. They reflect the skepticism regarding the possibility of knowing the past that dominates today's universities and that gets used (improperly) to justify junking the study of history, philology, and literary tradition. The proponents of period performance heard and considered these sophisticated objections. Then something wonderful happened. They responded, in essence: "Yeah, whatever." They tweaked their rhetoric, junked the term "authenticity" and anything else that sounded too authoritarian—and went right on doing what they had been doing all along. That is because their hunger for the past—for discovering how the musicians at the Esterházy palace interpreted crescendi or how much vibrato a cellist performing Bach's cello suites in the 1720s would have used—was so great that no amount of hermeneutical skepticism could extinguish it.

The influential restorer of French baroque opera, conductor William Christie, exemplifying this attitude, lamented in 1997 how little we know about the hand gestures used in ballets and operas in pre-Revolutionary France. Gestural art is "a field that is painful for me right now," he told Bernard Sherman in *Inside Early Music*. Christie's pain is precious. It comes from an instinct in short supply in the rest of the culture: the belief that the past contains lost worlds of expression that would enrich us if we could just recover them. The desire to learn how a shepherdess in a Rameau opera may have inclined her hand to Cupid is an attribute of an

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which were unlikely to be performed in their entirety or without a diverting interruption. At the 1806 premiere of Beethoven's Violin Concerto in Vienna, the violinist played one of his own compositions between the concerto's first and second movements—on one string while holding his violin upside down. Beethoven's Ninth Symphony premiered at Paris's leading concert venue in 1832 with romances and tunes by Weber and Rossini spliced between the third movement and the choral finale, according to James Johnson in *Listening in Paris*.

By the end of the nineteenth century, public concert practice more closely resembled the norm today, with symphonies and sonatas usually performed in their entirety and without other works spliced into them. Many soloists began performing marathon recitals of highly demanding works. This programming of exclusively serious music for public consumption in the late nineteenth century was no more consistent with how that music was originally performed than it is now, and it represented as much of an unforeseen advance in the listening capacities of the public.

oday's classical-music culture differs from the past in one more important way: recording technology. No composer before the advent of the gramophone ever anticipated that his music would be endlessly and effortlessly repeatable. At best, he might hope that his musician friends would give a

enlightened humanity. (Unfortunately, Christie has since abandoned the project of re-creating baroque opera stagings and choreography, leaving the Boston Early Music Festival and Opera Lafayette as the sole ensembles committed to courtly theatrical sensibility as well as musical practice.)

An early informal truce between modern-instrument ensembles and the historicists has long since broken down. According to this unwritten understanding, the historicists would claim the pre-1800 repertoire, while leaving nineteenth-century works to the modern symphony orchestra. It was not long, however, before the proponents of historical "authenticity" marched all the way into the twentieth century, blithely piling one historical anachronism onto another, as if to confirm Taruskin's skepticism regarding the evidentiary basis for their work. Period-instrument groups such as the Philharmonia Baroque and the Orchestre Révolutionnaire et Romantique use the evocative Waldhorn in Brahms's works, for example, even though Brahms himself could not persuade his contemporary brass players to give up their spiffy new valved horn for that difficult ancient instrument. In addition to adopting "historical" practices that didn't exist, the historicists ignore widespread nineteenth-century performance traditions that *did* exist. There has been no movement to revive "preluding," for example, in which a pianist improvised chords and arpeggios before breaking into the actual published score of a work, because such behavior would too forcefully violate contemporary concert norms. Nor has the habit of teleologically updating scores been adopted. This paradox points to the conceptual meltdown point of the authenticity movement, where it becomes clear that the most unhistorical practice in the history of music is the concern for authenticity.

Such conundrums do not subtract from the enormous contribution that the early-music movement has made to our experience of music. Traditional orchestras, especially in Europe, have subtly changed their sound and approach to the standard repertoire in response to the competition. Sadly, we will never know whether the period-instrument movement has come close to past performance style (though Taruskin is wrong that historical materials cannot provide meaningful guidance). But the effort to recover our musical past remains a noble one.

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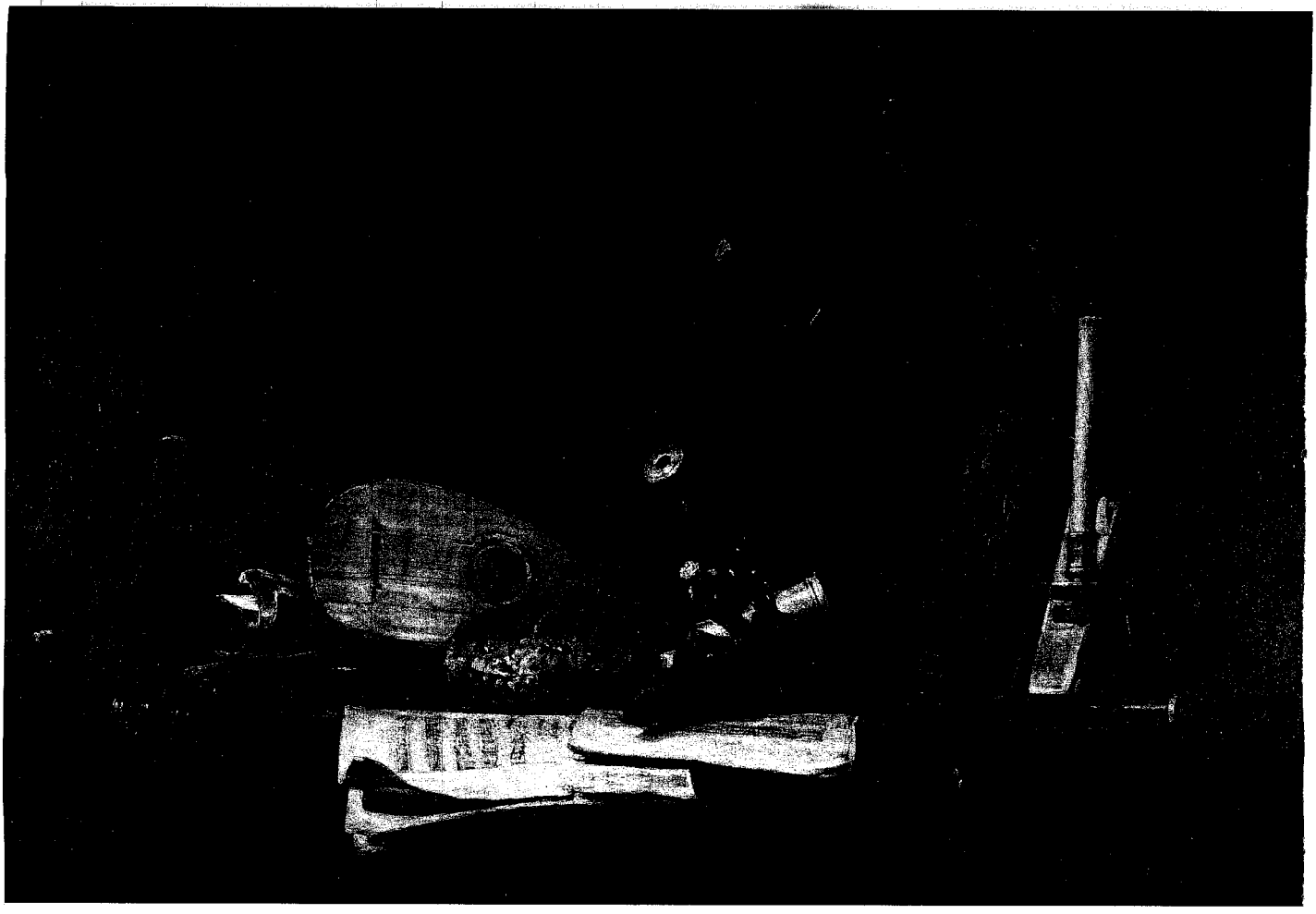

few additional performances of his latest piece before new styles and works superseded it. The ease of repetition that recording technology enabled puts an enormous strain on the excessively limited canon that emerged from the nineteenth century—one that could have proved fatal. Yet not only have Schubert's piano sonatas and Chopin's nocturnes, Beethoven's string quartets and Brahms's intermezzi, survived the move from the private salon to the public concert hall; they have triumphed over the potentially stupefying overfamiliarity inflicted on them by instant replay and the accumulating weight of hundreds of thousands of performances. The exquisiteness of this music is such that it continues to seduce, decades and centuries after its expected eclipse.

The radical transformation of how people consume classical music puts the current hand-wringing over an inattentive, shrinking audience in a different perspective. Beethoven's *Eroica* Symphony premiered before an audience of 100 at most. These days, probably 10,000 people are listening to it during any given 24-hour period, either live or on record, estimates critic Harvey Sachs. Recordings have expanded the availability of music in astounding ways. The declinists—led by the industry's most reliable Cassandra, the League of American Orchestras—do not account for how recordings have changed the concert culture beyond recognition.

Recordings have also, it is true, taken a toll on the communal, participatory aspect of music-making. But the explosion of classical music on the Internet has revived some of that communal element. The ever-expanding offerings of performances on YouTube, uploaded simply out of love, demonstrate the passion that unites classical-music listeners. A listener can compare 15 different interpretations of "Là ci darem la mano" at the click of a mouse, all—amazingly—for free. Organized websites, such as the live classical-concert site InstantEncore.com, are creating new ways of disseminating music that will undoubtedly reach new audiences. Even with recording technology's impetus for passive, private listening, the percentage of amateur musicians studying classical music has risen 30 percent over the last six years, from an admittedly small 1.8 percent to 3 percent. Many of those nonprofessional musicians, as well as their children, are uploading their own performances onto the Web.

Contrary to the standard dirge, the classical recording

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industry is still shooting out more music than anyone can possibly take in over a lifetime. Has the pace of Beethoven symphony cycles slowed down? We'll survive. In the course of one month arrive arias by Nicola Porpora, an opera by Federico Ricci, a symphony by Ildebrando Pizzetti—three composers previously known only to musicologists—Cherubini's *Chant sur la Mort de Joseph Haydn*, and Haydn's *The Storm*. This cornucopia of previously lost works is more than any of us has a right to hope for.

JEAN-BAPTISTE-SIMÉON CHARDIN, "THE ATTRIBUTES OF MUSIC"/LOUVRE, PARIS, FRANCE/PETER WILLI/THE BRIDGEMAN ART LIBRARY INTERNATIONAL

The much-publicized financial difficulties of many orchestras during the current recession also need to be put into historical perspective. More people are making a living playing an instrument than ever before, and doing so as respected and well-paid professionals, not lowly drones. There were no professional orchestras during Beethoven's time; he had to cobble together an ensemble for the premiere of his Ninth Symphony. Even mid-twentieth-century America had no year-round, salaried orchestras. In 1962, most concert seasons were half a year long.

But under pressure from an increasingly militant musicians' union and with an infusion of funding from the Ford Foundation in 1966, many orchestras started paying their players annual, or close to annual, salaries. In part to justify those higher salaries, orchestras expanded their concert seasons and the frequency of concerts within each season. Neither Beethoven nor Brahms envisioned that a single orchestra would perform three or four concerts a week, critic Joseph Horowitz notes in *Classical Music in America*, much less that its members would draw six-figure salaries. The low pay of a typical late-nineteenth-century musician made possible the huge orchestral forces that Bruckner and Mahler summoned as a matter of course. Today's composers usually write for much smaller ensembles, having been priced out of the symphonic form by unionized wages.

Nevertheless, professional orchestras in the U.S. today dwarf in number anything seen in the past. In 1937, there were 96 American orchestras; in 2010, there are more than 350. Where union restrictions don't exist, the music scene is even more vibrant. Volunteer adult orchestras outnumber professional orchestras two to one. New youth ensembles launch every year; there are now nearly 500 in the United States. Though Los Angeles County alone has more than 40 youth orchestras, the leading state in student involvement is Texas, where more than 57,000 high school musicians auditioned last year for slots in prestigious all-state music ensembles.

Chamber-music groups have also proliferated in the last 50 years. Arnold Steinhardt recalls that back when he was studying the violin, you could count on one hand the number of string quartets and other ensembles: "Chamber music was not a profession then; it was for people who weren't good enough to have a solo career." Nowadays, new quartets form constantly, many associated with colleges and universities. It took nearly the entire nineteenth century for the string-quartet repertoire to broaden its appeal beyond a narrow band of connoisseurs; today, the audience for chamber music extends far beyond traditional urban centers of culture. Iowa City hosted a Haydn quartet "slam" last year in honor of the 200th anniversary of the composer's death. String players from ages eight to 78 performed all 83 of Haydn's quartets.

It is fair to ask whether the foundation-fueled postwar expansion of orchestras artificially and unsustainably pumped up the supply of musicians and ensembles. But there is ample evidence of a continuing unmet demand for classical music throughout the country—especially in places that can't afford the salaries and long seasons that America's unionized musicians expect. This March, the *New York Times*'s invaluable Daniel Wakin chronicled the travails of the Moscow State Radio Symphony Orchestra as it slogged through a poorly paid nine-week bus tour to smaller cities and towns around America—places like Ashland, Kentucky, and Zanesville, Ohio, which are "hungry for classical music programming."

It's even harder to spot a demand deficit at the other end of the glamour spectrum. Though Wagner fans incessantly lament

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the shortage of Heldentenors, the source of the problem is not a decrease in capable Siegfrieds and Tristans but the mushrooming of *Ring* cycles in China, Russia, and Japan, among other locales. Likewise, as Plácido Domingo explains in a collection of interviews called *Living Opera*, hand-wringing about singers who find themselves pushed too early into roles for which they are not yet ready reflects the worldwide increase in theaters and opera companies, which require a constant supply of singers.

However bounteous today's classical-music culture is for those already inside it, the number of children who have the opportunity to be captivated by classical music is still much lower than it ought to be. "The arts fell out of U.S. schools in the 1980s; all the music is gone," James Conlon observes in *Living Opera*. "Now we have a generation of adults who make money, accomplish what they think is the fulfillment of life, but they've never had any contact with the classical arts—neither music nor literature. For me that's a national disgrace." Most leading music institutions have energetic outreach programs to try to compensate for the loss of public music education. But some school bureaucracies make no effort to accommodate these programs.

The public schools' sclerosis has fueled the growth of community music schools that offer low-cost private lessons and ensemble work to children and their parents. The schools, heirs to the music program for immigrants at Chicago's Hull House, are particularly important in urban areas, where arts education has withered far more than in suburban and rural school districts. Philadelphia's buoyant network of schools trains thousands of students each year.

Such endeavors could reach far more children if they enjoyed better funding. That will require changing the priorities of America's patron class, says Leon Botstein, the president of Bard College and conductor of the American Symphony Orchestra. "What is different today is that the nation's elite, the very rich, don't care about classical music," he observes. "The patron class is philistine; instead of Andrew Carnegie, we have Donald Trump. Some rich guy with a hedge fund wants to be photographed with Angelina Jolie, not support the Cleveland Orchestra." Bill Gates didn't help matters when he proclaimed gratuitously: "I have no interest in giving to opera houses." Younger philanthropists seem to be following Gates's lead in spurning the arts, write Matthew Bishop and Michael Green in *Philanthrocapitalism*. The celebrity-bedecked Robin Hood Foundation enjoys extraordinary cachet on Wall Street; organizations that promote classical culture, far less so.

Two of the best hopes for building future American audiences may come from outside the country. Gustavo Dudamel, the 29-year-old Venezuelan conductor of the Los Angeles Philharmonic, is the closest thing the classical-music world has to a Leonardo DiCaprio. His tousle-headed exuberance, thousand-watt smile, and undoubted conducting skills have thrilled the press and public and created huge interest in his future career.

But it is Dudamel's past that may be his most important contribution to classical music. Dudamel is the most famous graduate of Venezuela's initiative to teach slum children to play classical instruments, and in so doing to develop the self-discipline that will carry them out of the ghetto. More than a quarter-million poor children in Venezuela enroll in the nearly 200 youth orchestras that belong to El Sistema Nacional de las Orquestas Juveniles e Infantiles de Venezuela ("El Sistema," for short). In 2002, another El Sistema graduate, the double bassist Edicson Ruiz, became at 17 the youngest musician ever to join the Berlin Philharmonic. The brainchild of José Antonio Abreu, a left-wing economist committed to "social justice," El Sistema could not be a stronger rebuke to the multicultural dogma that currently governs American education and welfare programs. Its premise is that all children should be exposed to the West's highest artistic accomplishments. "The huge spiritual world that music produces in itself ends up overcoming material poverty," Abreu has said. "From the minute a child is taught how to play an instrument, he's no longer poor."

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ESTHER BALDWIN WILLIAMS, "HAENDEL CONCERTO"/FRANCIS G. MAYER/CORBIS

Dudamel's charisma and hip Latino ethos could make it safe for Silicon Valley moguls to fund classical-music education without worrying about accusations of elitism. Perhaps the sight of Venezuela's Simón Bolivar Youth Orchestra playing its heart out could persuade even the liberal Ford Foundation to return to its roots in classical arts funding. "We have lived our whole lives inside these pieces," Dudamel says. "When we play Beethoven's Fifth, it is the most important thing happening in the world."

Thanks to the publicity around L.A.'s new conductor, an initiative headquartered at the New England Conservatory of Music now trains music postgraduates to start local El Sistema programs worldwide. But much more could be done. Why not a Play for America program, modeled on Teach for America, that would send music graduates into poor communities to teach and perform for two or three years?

The other source of future classical-music demand is China. "I'm very hopeful," says Robert Sirota, head of the Manhattan School of Music. "If China graduates 100,000 pianists a year, it changes everything." The best predictor of attendance at classical concerts is playing an instrument. Asia's passionate pursuit of music training for its children will create not just tomorrow's professional musicians, of whom there is no dearth, but tomorrow's audiences as well. And like El Sistema, the phenomenon of countless poor young Asians practicing fanatically for the privilege of a career performing Scarlatti and Rachmaninoff torpedoes the image of classical music as the bastion of wealthy white elites. When the 12-year-old Lang Lang competed for the first time with Europeans, he worried that their heritage would give them an interpretive advantage. "It's *your* native music as well," his father reminded him. "It belongs to anyone who loves it."

usic records the evolution of the human soul. To hear how the elegance of the baroque developed into the grandeur of the classical style, which in turn gave way to the languid sensuality and unbridled passion of Romanticism, is to trace how variously human beings have expressed longing, desire, triumph, and sorrow over the centuries.

Not everyone will hear that changing sensibility; some may find the soul's echo elsewhere. But the present-day abundance of classical music—of newly rediscovered works, consummate performances, thousands of recordings, and legions of fans—is a testament to its deep roots in human feeling. And it is a cause for celebration that so many people still feel drawn into its web of lethal beauty, in a world so far from the one that gave it birth.

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Something to Love Among the Ruins

David Watkin

Three young architects offer a beautiful alternative to modernism's ravages.

This May, the Royal Institute of British Architects mounted a remarkable exhibition, *Three Classicists*. It would have been unthinkable only a decade ago for several reasons: it showed designs that were exclusively classical; the designs were not pipe dreams, but had either been built or were under construction; and the projects were not just country houses for the superrich but a wide range of buildings, including a theater, an infirmary, cottages, row houses, and offices for a London art dealer.

The British architectural establishment either ignores or ridicules traditional and classical architecture of this kind. The establishment's leaders are afraid, or they should be afraid, of classical architecture's popularity with the general public, whose preference for it over modernist design comes through in every poll. Their fear is justified: they would be unable to satisfy public taste by designing in the classical language themselves, for they have abolished the teaching of classicism in every school of architecture in Britain over the last 50 years.

Thus Ben Pentreath, George Saumarez Smith, and Francis Terry, the three classical architects featured in the exhibition, could not have acquired their skills in an architecture school. They had to make personal discoveries, by observing older buildings and by learning from the practice of the few architects today who have fought the forces of modernism by designing in the classical tradition. One can hope that the publicity that they are now receiving will encourage other young architects to follow them in challenging the received orthodoxy.

In the introduction to the exhibition catalog, Ruth Guilding, a scholar best known for her writing on eighteenth-century neoclassical sculpture, describes the backgrounds of the three architects, all close friends with one another. Francis Terry is the son of the classical architect Quinlan Terry, himself influenced by the classical architect Raymond Erith (1904–73). The elder Terry began working for Erith's architectural firm in 1962 and joined him in partnership four years later. From 1969 to 1971, the two men built Kings Walden Bury, Hertfordshire, then wrongly regarded as the last traditional country house of its kind that would ever rise in England.

The younger Terry worked in the United States with the Washington architect Allan Greenberg before joining his father's firm, still called Erith and Terry, in 1994. The next year, George Saumarez Smith, a maternal grandson of Erith's, joined the firm as well. (Since resonance and memory are deeply part of the language of classicism, it is pleasing to see these links among three generations of architects.) Working under Quinlan Terry, Saumarez Smith learned to draw beautifully, but he left the firm in 2003 and joined the larger practice of ADAM Architecture, where he is now a director. In 2004, Erith and Terry changed its name to Quinlan and Francis Terry.

Like Francis Terry, Ben Pentreath also worked for a traditional architect in America—the New York office of Fairfax and Sammons, from 1999 to 2003. But in 1998, he had studied at the Prince of Wales's Institute of Architecture (now closed), which then taught the practice of classical and traditional architecture. So it was natural that he, too, should come into the orbit of Quinlan Terry, whose work Prince Charles passionately admired. Appropriately, His Royal Highness wrote the foreword to the exhibition's catalog.

The idea for *Three Classicists* was born when the Royal Academy's hanging committee rejected two beautiful drawings for its 2008 Summer Exhibition: Francis Terry's design for the Corinthian capital of a column

Work by Quinlan and Francis Terry LLP: a London infirmary; . . .

COURTESY OF QUINLAN AND FRANCIS TERRY LLP (4)

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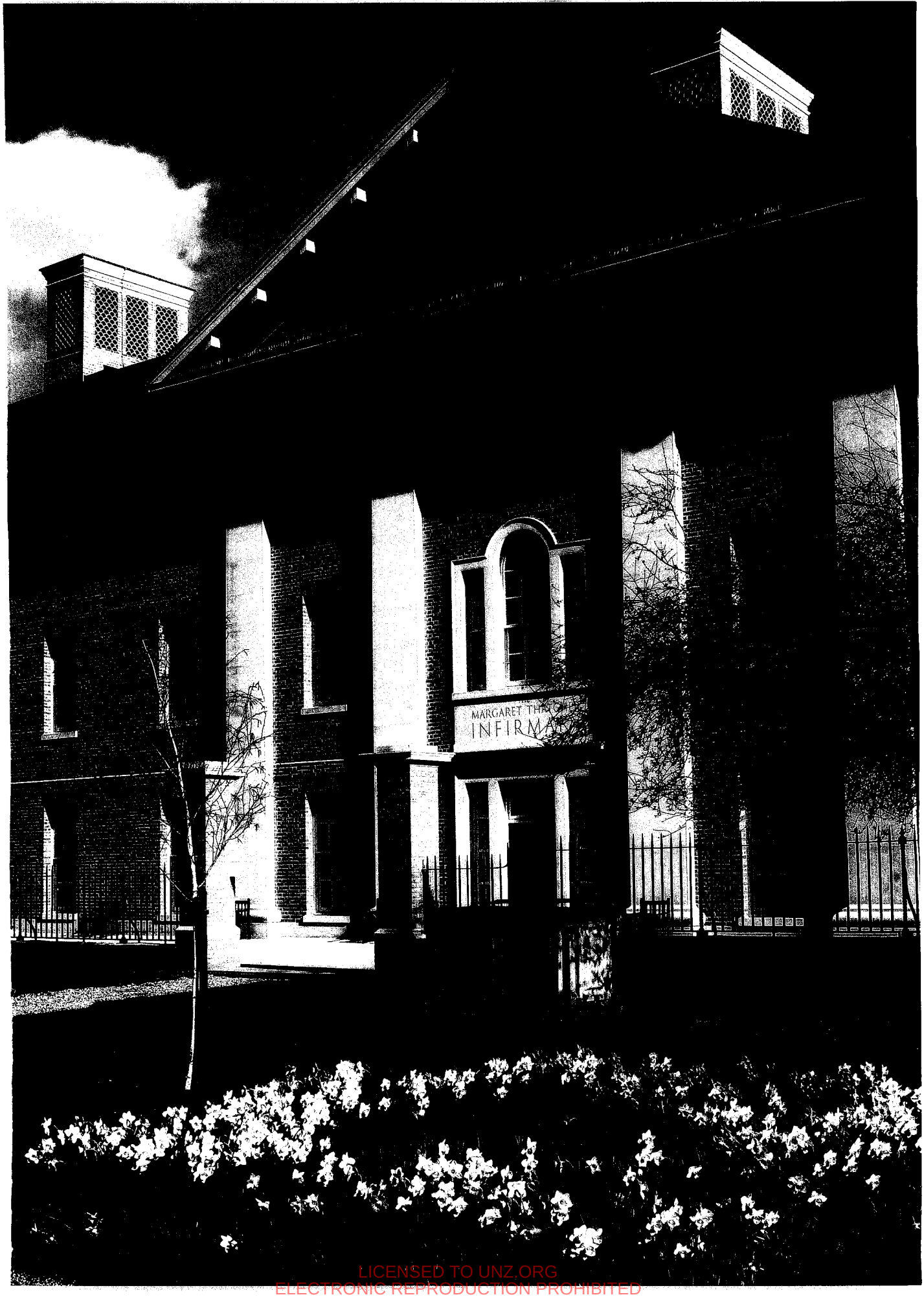

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at Hanover Lodge, a building virtually completed; and Saumarez Smith's for an art gallery on New Bond Street. So Terry and Saumarez Smith, joined by Pentreath, decided to create a *salon des refusés* in which to exhibit their work. Having been rejected by one pillar of the establishment, the Royal Academy, they approached another, the Royal Institute of British Architects, similarly regarded as hostile to classical and traditional design. Here, their request to stage an exhibition proved happily successful—if surprisingly so, since the Royal Institute's last president attacked the Prince of Wales in 2009 for his interventions in favor of classical designs for new buildings.

The exhibition introduces us to the buildings that Pentreath has designed at Poundbury, Dorset, the new town begun in 1993 by the Duchy of Cornwall based on a master plan commissioned by the Prince of Wales from Léon Krier (see "Cities for Living," Spring 2008). Poundbury overthrows the zoning practices popular since at least World War II, which separate private from public housing and workplaces from residences. In addition, the growth of out-of-town shopping centers and business parks, all heightening dependence on the car, has destroyed the sense of living in a community as well as the commercial viability of historical towns. By countering these tendencies, Poundbury has grown rapidly and is already a small town rather than a large village.

Pentreath's contributions to Poundbury include Woodlands Crescent—41 houses built around a garden square, an idea with Regency origins. He has created a similar urban development at Port Talbot, Wales, while on a smaller scale he has provided a new village green with cottages at Tisbury, Wiltshire. Raymond Erith led the way in showing how to build in old towns or villages in the countryside without wrecking them, notably at Dedham, Essex, where the ancient building housing the office of Quinlan and Francis Terry can be found on High Street.

George Saumarez Smith has also contributed to Poundbury with the Buttermarket building, a dignified, three-bay composition with a Palladian facade featuring four pilasters below a pediment. But his most spectacular design so far is for the Richard Green Gallery for the display of twentieth-century art on New Bond Street, London, next door to the celebrated auctioneer Sotheby's. Construction of the gallery, which began recently, has required the demolition of two buildings within the historic Mayfair area of London (though the buildings were not historic themselves). This is virtually the first time that a substantial building of classical character has been proposed for such a site since before the war.

The Green Gallery's sophisticated facade in Portland stone over a ground floor of bronze-framed windows will be entirely in keeping with the grain of New Bond Street, which has a Georgian core but is mainly composed of late-nineteenth- and early-twentieth-century classical buildings, often enriched with sculpture. Saumarez Smith's design incorporates three large bas-reliefs commissioned from the distinguished sculptor Alexander Stoddart; inspired by Homer's *Odyssey*, they form an allegory on the development of modern art from 1900 to the present. Running across the first and second floors of the front elevation, the bas-reliefs will be divided by pilasters with incised

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. . . a drawing of a rinceau panel for a chimneypiece; . . .

lines and a fret, a form that Sir John Soane, the great neoclassical architect, invented in the late eighteenth century. The design is a masterpiece in the handling of the classical orders; it repays detailed study.

The exhibition also shows how Saumarez Smith has skillfully enlarged Langton House, built in the eighteenth century on the edge of a beautiful small town in Hampshire and later much altered in an unfortunate way. Saumarez Smith carried out extensive historical research to enable his additions, completed in 2005, to restore balance as well as echo the original composition. The principal window of his library commands a view of the new summer house and swimming pool, which he has built on the site of an eighteenth-century orangery that was demolished in the 1930s. The new building is a subtle composition in which Saumarez Smith cleverly adapts in brick the Doric order of Palladio and also contrives to deploy every bond of brickwork. The frieze contains metopes in headers alternating with simplified triglyphs inspired by Michele Sanmicheli, the leading architect in sixteenth-century northern Italy. "The spacing of the triglyphs," Saumarez Smith explains, "is the key to the whole design."

rancis Terry's share of the exhibition includes drawings for several major projects in

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London and one in Cambridge, all designed in partnership with his father. One of these—a design for the infirmary adjacent to a much-loved masterpiece, Sir Christopher Wren's Royal Hospital—received planning consent in 2005 from the relevant authorities; yet even at that stage, leading modernist architects asked the Secretary of State for the Environment to have Terry's plans called in for a public inquiry. Such is the intensity of the architectural establishment's fear that a new public building might be built in the classical style.

The entrance front of the infirmary sports a giant portico of Tuscan columns, the simplest of the orders—which Quinlan and Francis Terry chose out of deference to Wren, whose principal building at the Royal Hospital was in the nobler Doric. Similarly, instead of using Wren's red brick, they selected the less demonstrative London stock brick, which is a pale whitish-yellow. If one had to spend time in an infirmary, here is where one would choose to be, enjoying the garden courtyard with its colonnaded loggia, the traditionally designed chapel, and the harmony and calmness provided by the symmetry that modernism so despises.

The Terry partnership has made a breakthrough in another building type: the commercial office block. Like some late designs by the nineteenth-century German neoclassical architect Karl Friedrich Schinkel, their handsome building at 264–267 Tottenham Court Road shows that a commercial building, if properly articulated with the classical orders and with glazing bars in the windows, need not have the cold and inhuman character of modern glass office blocks. Its deeply modeled facade keeps the street line and relates well to the adjacent interwar, classical buildings.

Also on display at the exhibition are pictures of Hanover Lodge, a large new house in London by the Terrys. Their handsome pair of entrance lodges to the house are in the Doric order, which is appropriate for the traditional role of a lodge as guardhouse (the Doric supposedly originated as a representation of the masculine strength of warriors and heroes). On all four sides of each lodge are pedimented porticoes with Doric columns.

The entrance front of Hanover Lodge itself is dominated by a full-height portico with free-standing columns in the Greek Ionic order of the Erechtheion on the Acropolis in Athens. With the stylized honeysuckle pattern of the band below its capital, this is the loveliest and richest of all the Greek orders. It is also used for the columns of the curved bow of Hanover Lodge's formal drawing room. For the tympanum of the crowning pediment on the entrance front, Francis Terry designed a rich scheme of decorative plasterwork with acanthus leaves and shoots swirling around a central circular panel. This scrolling pattern of plant forms, known as rinceaux, recalls one of the greatest monuments of Augustan classicism, the Ara Pacis Augustae in Rome.

The central space of the house is the hall, with its balustraded gallery at first-floor level, above which is a cove with an elliptical oculus and a glazed lantern. The interior is fabulously rich in plasterwork ornament designed by Francis Terry, whose drawings for it introduce a vibrancy and sensitivity to plant form and associated classical ornament on a scale unparalleled in modern British architecture. The majority of this decoration is on the hall's cove and ceiling, which abound in rinceaux, shells, and arabesques, while the underside of the gallery is also ornamented with fret patterns, framed rosettes, and rich consoles. The result is one of the most imposing and lavishly ornamented interiors created in 100 years.

Finally, we see pictures of the Howard Theatre at Downing College in Cambridge, designed by the Terrys in 2008 and completed in 2010. Its enchanting interior is made intimate and sociable by the galleries around it, which are inspired by the seating arrangements in Georgian theaters like the one at Richmond, Yorkshire. From the proscenium arch hangs Francis Terry's panoramic painted backdrop, which is raised for performances. It's a ravishing capriccio inspired by the Acropolis yet incorporating work by the architect of the earliest buildings at Downing College, William Wilkins, himself a classical archaeologist. Like everything in

. . . an office building on Tottenham Court Road; . . .

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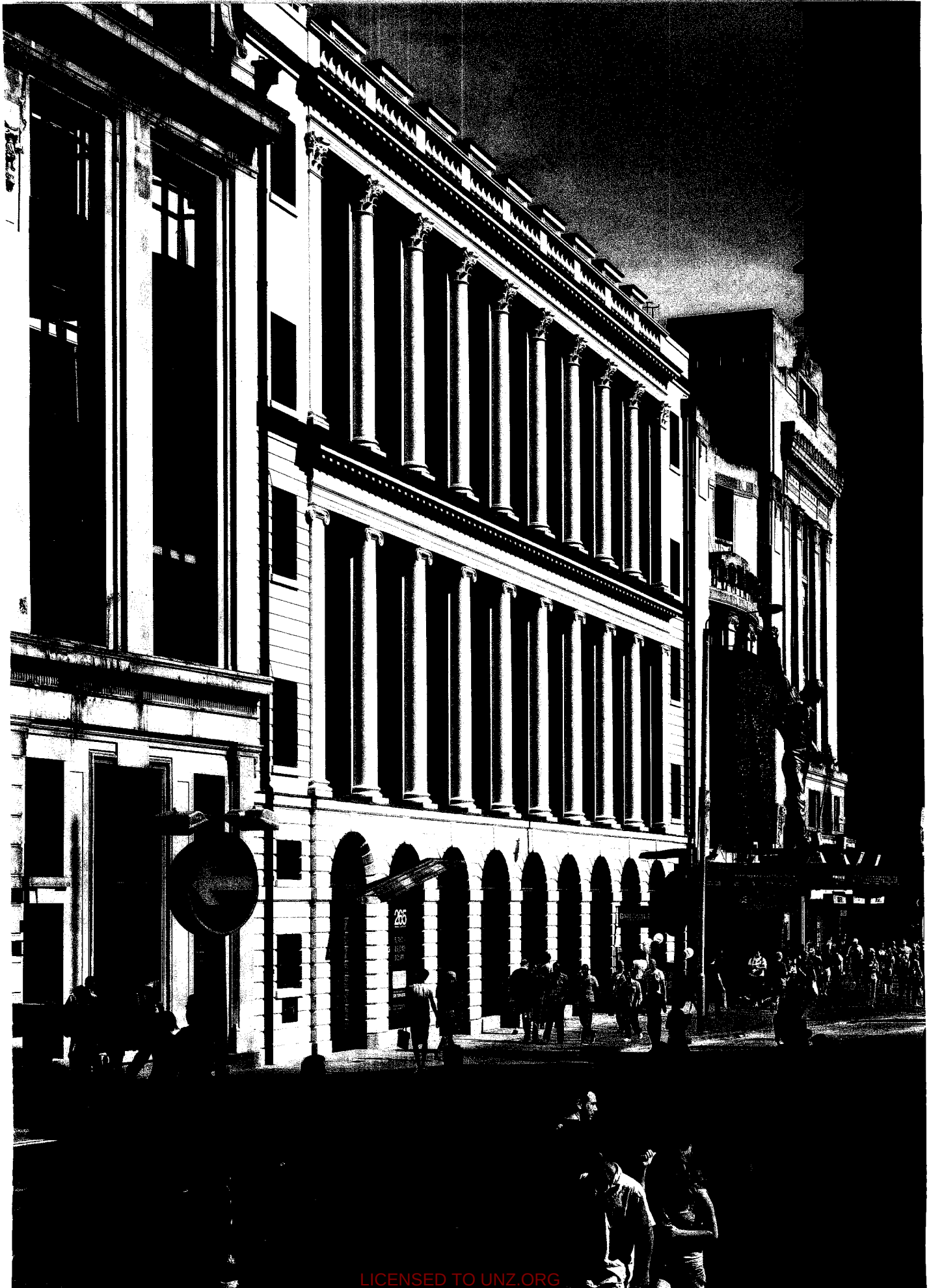

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. . . and the new Howard Theatre in Downing College, Cambridge, featuring a panoramic painted backdrop

this remarkable exhibition of the work of three young classicists, it is at once captivatingly beautiful, traditional, and inventive.

The three architects are articulate in words as well as in design. The exhibition catalog includes nine essays, three by each architect, on the subjects of classicism, modernism, patience, repetition, measuring, drawing, taste, economy, and (surprisingly) cooking. Though the authors don't mention John Ruskin, their format perhaps recalls his 1849 essay "The Seven Lamps of Architecture"—which were sacrifice, truth, power, beauty, life, memory, and obedience.

Ruskin stressed the value of time and weathering in architecture and its materials, and Saumarez Smith echoes this concern in "Patience" when he writes that photographs of newly built classical buildings look too harsh and new, for the buildings need to mellow before attaining their full beauty. He is kind enough not to point out that, unlike classical buildings, modernist ones—notably those that make the mistake of exposing concrete—don't improve with age. In "Measuring," he explains that classical orders are intentionally presented in textbooks without any definite scale, for they are applicable to everything from table lamps to temples. Again, they are different in this respect from modernist buildings, which are not easily adapted to the human scale and tend to provide too much space or too little. In "Economy," he stresses that architecture must be built to last and to inspire affection. Anything built too cheaply, he warns, can never be loved.

Pentreath demonstrates, in "Repetition," the failure of mass housing in the twentieth century compared with the success of buildings in Regency England, which followed a simple, traditional pattern and type, making much use of the fact that houses or villas look attractive in pairs. He shows in "Taste" that a well-proportioned terrace house, even if largely free of ornament, is made architecturally convincing by tiny details like door handles, fanlights, the width of a glazing bar, or the architrave around a window. In this, he recalls Raymond Erith, who venerated small things like cottages and simple moldings. Erith believed that architecture began here—

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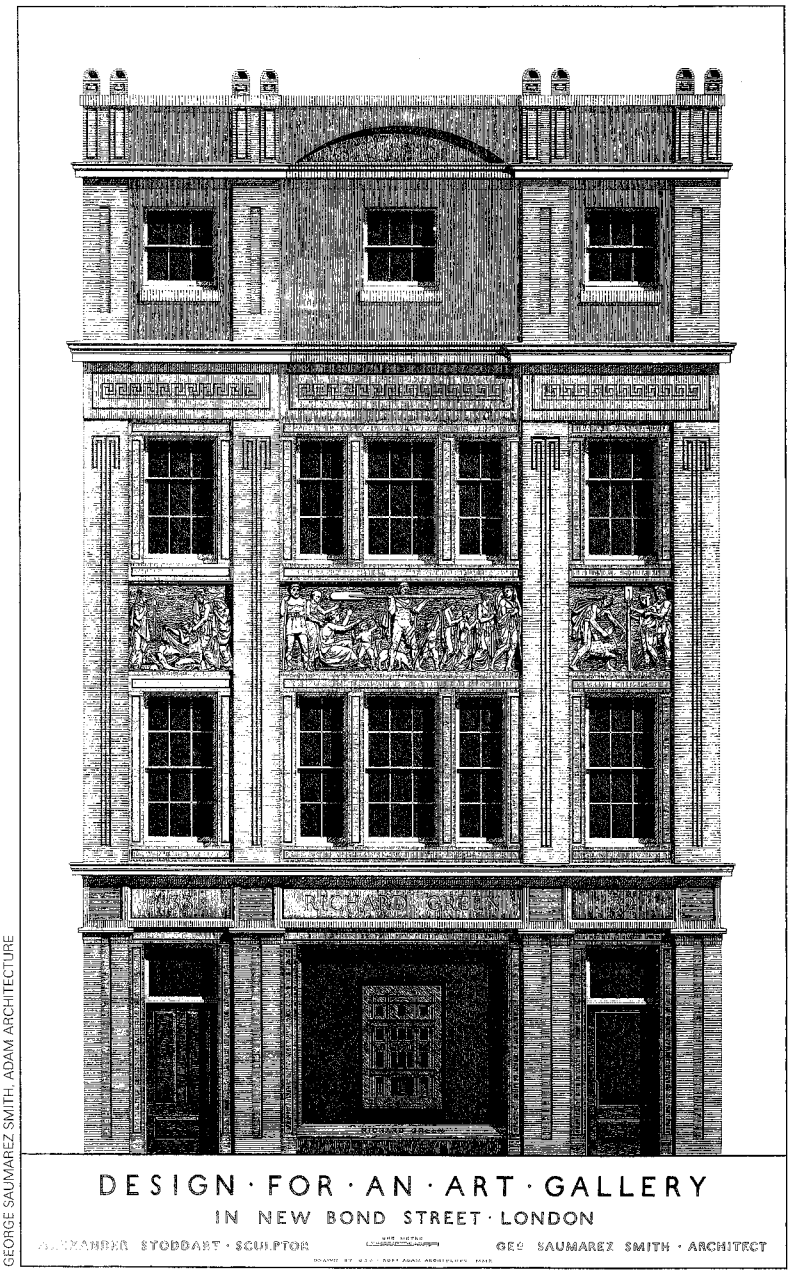
that what people came to love in the buildings they used and occupied were windows, door frames, moldings, and railings. Similarly, Sir John Soane claimed that moldings were as important to an architect as colors were to a painter—indeed, that the mind of a great architect "is never more visible than in the practice of this part of his profession." Modern architecture has significantly failed us in this area: no modernist architect today uses moldings or is even capable of designing them.

"To make a flat piece of paper appear to have three dimensions is a conjuring trick," writes Francis Terry about drawing—a skill that the architect must learn, but one no longer taught in architecture schools. Terry laments that society at large also does not value drawing, which is generally seen as having little more use than as "therapy for the deranged." (All three architects in this exhibition are, of course, superb draftsmen.) In "Cooking," Terry suggests provocatively that architecture might be better compared with preparing food than with painting or sculpture. Both the cook and the architect should deal with personal, handmade things, formed with attention to detail and made of the best local ingredients, he writes; further, both architecture and food are key aspects of the domestic life essential for our survival.

Addressing the style of architecture in which he works so proficiently, Terry points out in "Classicism" that the primary role of classical features like cornices, imposts, pilasters,



GEORGE SAUMAREZ SMITH, ADAM ARCHITECTURE

George Saumarez Smith's design for the Richard Green Gallery, incorporating sculptor Alexander Stoddart's *Odyssey*-inspired bas-reliefs

and swags is not function but beauty. One of their purposes is to create shadowy depths, changing as light moves around during the day, so that architecture should perhaps be seen as a branch of sculpture after all. Indeed, Terry points out that almost all Renaissance and baroque architects began their careers as sculptors or painters. He could have pointed out that in the first English theoretical work on architecture, Sir Henry Wotton's *The Elements of Architecture* (1624), we are told that architecture is the mistress art, with painting and sculpture serving as handmaidens "to dress and trim their mistress"—a view that would later appeal to Soane. Finally, because buildings should be a joy for the architect as well as for the viewer, Terry writes that "architecture is like music" as well: "not to be enjoyed in theory but with the heart."

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Oh, to be in England

Modernity's Uninvited Guest

Theodore Dalrymple

Civilization makes progress, but evil persists.

It is an unenviable fate for an author to be remembered, if at all, for a devastating review of his principal work by a much greater writer; but such was the fate that befell Soame Jenyns at the pen of Doctor Johnson.

The book that occasioned Johnson's scorn was *A Free Enquiry into the Nature and Origin of Evil*, which Jenyns first published anonymously in 1756. Johnson's review brings to mind Truman Capote's famous remark about Jack Kerouac's autobiographical novel, *On the Road*: that it was not writing, it was typing. For Johnson said of Jenyns: "When this [author] finds himself prompted to another performance, let him consider, whether he is about to disburden his mind, or employ his fingers; and, if I might venture to offer him a subject, I should wish, that he would solve this question: Why he, that has nothing to write, should desire to be a writer?"

In this case, however, the criticism was rather unfair; and Jenyns, by all accounts an amiable man, was mortified and harbored a deep but concealed resentment against Johnson for the rest of his life. After Johnson died, Jenyns published some vengefully scurrilous verses about the great man:

Here lies poor Johnson.
Reader, have a care,
Tread lightly, lest you
rouse a sleeping bear;
Religious, moral, generous,
and humane
He was—but self-sufficient,
rude, and vain;
Ill-bred and over-bearing in
dispute,
A scholar and a Christian—
yet a brute.

Another of the scholar and Christian's objections to Jenyns's book was its inadequacy to treat its subject. Johnson granted that the nature and origin of evil were a "very difficult and important question." But they were also one, he added, that "this author's endeavours will not free from the perplexity which has entangled the speculatists of all ages."

For Jenyns, as for all writers of his time, the word "evil" conveyed something much wider than it does today. It meant all that caused mankind suffering. It included "moral evil"—extreme human wickedness—but also "natural evil," the suffering brought about by epidemics, earthquakes, droughts, floods, and the like. It is not surprising that the word should have undergone a change of meaning, for in the intervening period the proportion of human suffering caused by moral, as against natural, evil has increased dramatically, thanks to our growing mastery of nature. When Jenyns wrote, for example, half of all children died, principally from infectious disease, before they reached the age of five; the causes of every known disease remained utterly mysterious, notwithstanding the pedantic flummery of the epoch's physicians.

A Free Enquiry appeared the year after the Lisbon earthquake, which killed some 30,000 people and destroyed in five minutes what it had taken centuries to build. The earthquake caused a philosophical crisis throughout Europe, for it was difficult to see the divine justice in this catastrophe, visited alike upon the virtuous and the vicious, the provident and the improvident, the humble and the proud. Earthquakes still happen, of course, but their effects have become attenuated in countries where many people are rich, educated, or leisured enough to worry about the origin of evil. The recent Chilean earthquake, many times more severe than its predecessor in Haiti, killed under half of 1 percent as many people because of Chile's farsighted precautions against earthquakes. We have reached the stage when the harm done by what once would have been called acts of God seems as much the effect of moral as of natural evil.

The devil presents Saint Augustine with the Book of Vices.

ART MEDIA-ALTE PINAKOTHEK, MUNICH/HERITAGE-IMAGES/THE IMAGE WORKS

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To explain natural evil, Jenyns had, like many believers before him, to reconcile the presence of terrible human suffering in the world with the existence of an omnipotent and wholly beneficent deity. His answer was optimistic, his theodicy derived, as Johnson pointed out, from Alexander Pope's attempt in his long poem *An Essay on Man* to "vindicate the ways of God to Man." Jenyns came to the same conclusion as Pope (though it is more likely that his conclusion determined his reasoning than the reverse): namely, that whatever is, is right. In short, the sum of happiness in the universe was, is, and will always be the greatest possible.

How did Jenyns (and others before him) arrive at this remarkable conclusion? It is impossible to conceive of any system such as a universe without subordination of parts to a whole, Jenyns said. This means that there must be beings of different capacities and advantages, "to the comparative want of which advantages we give the names of folly, weakness, deformity, and imperfection, and very unjustly repute them Evils." But they are not really evils, for the whole system of super- and subordination could not exist without them. The positive advantages that we do enjoy, meanwhile, are the free gift of a benevolent God, who could, after all, have refrained from creating anything at all.

Jenyns goes on to say that such supposed evils as poverty, "inquietudes of mind," and pain are necessary to the operation of the universal system. Without poverty, "none could have submitted to . . . the drudgeries of life," which would make for even greater poverty; "inquietudes of mind" could have been avoided only by depriving man of the very inclinations and passions that make him the creature he is, between beast and angel; and as for pain, "what numberless lives would be lost in every trifling pursuit, or flung away in ill humour, was the piercing of a sword no more painful than the tickling of a feather?" The evils of existence are necessary to prevent even greater evils; and therefore we cannot really count them as evils at all.

Doctor Johnson finds this unctuously complacent, the opinion of a man who, born into the gentry, has never known the pangs of want or poverty. It is not true that the poorest or hungriest man is the most active in improving his situation, for extreme poverty and hunger often depress the spirit rather than stimulate it. Besides, the question is not whether poverty, misery, and pain are required for the operation of the system as a whole—Johnson is willing to admit that perhaps they are—but whether the quantity of these evils currently experienced is necessary and inevitable. Of course, the distinction between avoidable and unavoidable suffering requires judgment and often cannot be made with absolute certainty. "To these meditations," as Johnson puts it, "humanity is unequal."

The free market is sometimes said to work in much the way that Jenyns said that the universe worked: the evil that it sometimes brings—increases in unemployment during recessions, for example—is unavoidable, except by embracing an even greater evil, such as general impoverishment. This does not mean that unemployment is not an evil but only that, to quote Jenyns, "there is no more pain in it, than what is necessary to the production of happiness." But it seems indecent for a man beyond the reach of destitution to preach to a man whose house is about to be repossessed that all is for the best in this, the best of all possible worlds—just as Jenyns's privileged, healthy, and prosperous preaching about evil seemed indecent to Doctor Johnson.

Nevertheless, it was not quite fair to Jenyns to say that his optimistic theodicy was only the complacent consequence of his good fortune. Alexander Pope, from whom he took it, was much less fortunate. Not only was Pope born Catholic in a country in which it was difficult for Catholics to make their way; he suffered immensely throughout his life—or what he once called "this long disease, my life"—from Pott's disease, a tubercular infection of the spine that turned him into, in his own words, "a spider." Johnson, in his life of Pope, movingly describes the effects of Pope's illness:

> He was then so weak as to stand in perpetual need of female attendance. . . . When he rose, he was invested in bodice made of stiff canvas, being scarce

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> able to hold himself erect till they were laced, and he then put on a flannel waistcoat. One side was contracted. His legs were so slender, that he enlarged their bulk with three pair of stockings, which were drawn on and off by the maid; for he was not able to dress or undress himself, and neither went to bed nor rose without help. His weakness made it very difficult for him to be clean.

That such a man, laboring under so many disadvantages, became a wit, a *bon viveur*, and the foremost literary figure of his day, acclaimed in France as in England, seemed an illustration of the truth that out of evil good may come. In fact, one could believe (as Johnson hints) that Pope's misfortunes were the source of his greatness, for they imposed single-mindedness upon him. Literature was one of the only fields in which his disabilities did not preclude a triumphant career.

So perhaps Pope, unlike Jenyns, had earned the right to declare that "whatever is, is right." Still, the genius required for Pope to overcome the natural evil was exceptional; and though good may come of evil, it does not invariably, or even often, do so. To think otherwise is—as Johnson wrote of Jenyns—to decide "too easily, upon questions out of the reach of human determination, with too little consideration of mortal weakness, and with too much vivacity for the necessary caution."

enyns's explanation of natural evil, flawed though it may be, underlies his subsequent explanation of moral evil. Since natural evil is inevitable, he explains, man had to be created not only capable of evil but willing to commit it, so that the natural evil should not be unjustly visited on the innocent. Evil in man is the counterpart of evil in nature. And since no man is perfectly good, he has no right to complain if evil should befall him.

The superficiality of this argument requires, from a modern standpoint, little commentary. But even Doctor Johnson—a man with a delicate sense of personal imperfection who once stood several hours bareheaded in the rain in the Uttoxeter marketplace, in penance for having been disrespectful a half-century earlier to his father, who had run a bookstall there—did not criticize it strongly. Both he and Jenyns were a world away from our modern concerns about evil. Accustomed to our comforts and our delicate sensibilities, we would find their world unbelievably harsh; yet their notion of evil strikes us as naive and almost innocent. Despite the violence of Johnson's review of Jenyns, the two men agreed more than they differed. They lived on the cusp of the Enlightenment but were both, at least in their treatment of evil, pre-Enlightenment in outlook. The burning question for them was not "Why do men behave evilly?" but "Why is there evil at all?"

The distinction between the pre-Enlightenment and Enlightenment attitudes toward evil was illustrated the year after Jenyns published his book, when a man named Robert-François Damiens tried to stab Louis XV with a knife. The king was hurt but not severely. (It is one of the ironies of history that in the Age of Despotism, the autocrat moved unguardedly among his subjects, while today, guards surround the elected head of even a small democracy as if he were a jewel above price.) Damiens was publicly executed in the Place de la Grève after enduring prolonged torture. For most of the population, this was only as it should and had to be; it was the natural fate of all regicides or attempted regicides. As it was for Ravaillac, the assassin of Henri IV a century and a half earlier, so it must be with Damiens. Precedent was indistinguishable from natural law.

A few philosophes (Louis XV among them) were horrified, however, by the brutality of Damiens's execution and by the suffering he was made to undergo. This suffering was neither natural nor inevitable, the philosophes maintained; it was not inscribed in the constitution of the universe but undergone because men chose to inflict it. That regicides had "always" met this fate was not sufficient grounds; the question had to be examined in the light of reason. In other words, the philosophes diverted attention away from theodicy—the explanation for the existence of evil in a world created by a perfectly benevolent deity—to the behavior of men. As Pope, half a harbinger

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and half an opponent of the Enlightenment, put it: "Know then thyself, presume not God to scan; / The proper study of Mankind is Man."

The Enlightenment held out the hope that with enough of this "proper study," man would come to know himself sufficiently to eliminate the evil and suffering that had always beset his existence. Man would obtain something like a Newtonian knowledge not only of the universe but of himself, with all the predictive and mechanical advantages that such understanding had brought in the study of inanimate nature.

And in a certain sense, the promise of the Enlightenment has been triumphantly fulfilled in our modern societies—surely as regards natural evil. Thanks to rational inquiry, to take but one instance, the infant-mortality rate since Jenyns wrote has fallen 98 percent. We live lives cleaner, more comfortable, and freer from pain than those of any people who have ever existed. Nobody today has to endure one-hundredth of the physical tortures, brought by illness and the efforts to treat it, that Philip II of Spain and Charles II of England had to endure.

Nor can one say that no moral advance occurred because of the Enlightenment. Just as we are freer from disease, so, too, our mental lives are freer. Of course, dictatorships over thought still exist in the world, but they are on the defensive and have come to seem somehow unnatural. Freedom is now the default setting of human thought. No one can tell us what to think, say, or write, at least not without our consent.

But an uninvited guest has arrived at this banquet of human advancement: evil. Whether men behave better or worse, individually or in the aggregate, than they did before the Enlightenment, is probably a question that we cannot answer approximately, let alone definitively. But what is certain is that moral evil has not only failed to disappear but has taken on a more deliberate, calculated character. Whereas the torturers of Damiens did their evil unself-consciously because it was the natural or preordained thing to do, modern evil is done after intellectual reflection, divorced from any tradition that might guide conduct.

The two greatest moral catastrophes of the twentieth century, wrought by Lenin and Hitler, were perverse effects of the Enlightenment. Lenin and Hitler were creatures of the Enlightenment not in the sense that they were enlightened, of course, but in the sense that they believed they had the right and the duty to act in accordance with their own unaided deductions from their own first principles. Everything else they regarded as sentimentality. Lenin preached no mercy to the non-proletarian, Hitler none to the Jew. The truth of their theories, supposedly rational and indubitable, was more evident to them, more real in their minds, than the millions killed as a consequence of those theories. If a syllogism ended in a command to commit unspeakable evil, you did not doubt the premises or the argument but obeyed the command.

This post-Enlightenment way of thinking continues to have its defenders. The celebrated British historian Eric Hobsbawm, a lifelong Marxist, said not long ago that had the Soviet Union turned out much better than it did, the deaths of 20 million to achieve it would have been a worthwhile price to pay. One cannot accuse Hobsbawm of thinking small.

That evil has not disappeared *pari passu* with German measles puzzles and troubles us. Evil remains a conundrum, as evidenced by Marxist literary theorist Terry Eagleton's recently published book *On Evil*. Eagleton is not one of those Marxists for whom, like the late historian and Stalin apologist Edward Hallett Carr, the problem of evil does not exist. "I don't think there are such things as bad people," Carr once said. "To us Hitler, at the moment, seems a bad man, but will they think Hitler a bad man in a hundred years' time, or will they think the German society of the thirties bad?"

Eagleton sees clearly that this will not do. Helping him in this recognition is that he is a Christian as well as a Marxist, and no Christian can believe wholly in social determinism. The problem of the human heart is real, not just a remediable social artifact. The relationship between society and human behavior is dialectical, Eagleton believes. Society has its effect, but it is acting on an already imperfect nature, which in turn is bound to produce an imperfect society.

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Letters

Significantly, Eagleton begins his book by citing the case of two ten-year-old British boys who abducted, tortured, and killed three-year-old Jamie Bulger in 1993. Here is the opposite of childhood innocence, for the two boys knew that what they were doing was deeply wrong but went ahead and did it anyway. The human mystery is that neither their environment nor their nature can fully explain them. Man is not only wolf to man; he is mystery to man.

So the Enlightenment project has failed, at least in explaining man fully to himself. However successful it has been in other regards—and we are all, even its bitterest enemies, children of the Enlightenment—we do not know ourselves any better than we did in Jenyns's and Johnson's day. Self-understanding may even have regressed since Johnson, for no man was better at self-examination than he. If more people proved adept at it, perhaps the prevalence of evil would decline. Johnson was highly imperfect, knew himself to be so, and always struggled against his imperfections without expecting more than partial victory. He did not approve of Pope's theodicy, but he could agree with the famous lines summing up the human predicament:

> Created half to rise, and
> half to fall;
> Great lord of all things, yet
> a prey to all;
> Sole judge of truth, in
> endless error hurl'd;
> The glory, jest, and riddle
> of the world!

Testing Mess

To the editor:

Sol Stern's call for rigorous standardized tests is on target, but his description of New York City's record isn't credible ["Can New York Clean Up the Testing Mess?," Spring 2010].

Stern would gore New York City with charges that test scores throughout New York State are inflated, yet he fails to mention a critical point: city students have performed far better than the rest of the state on the same tests. Since Mayor Bloomberg took control of the schools, fourth-graders in New York City have become proficient in English at three times the rate of students elsewhere in the state. In math, the city's eighth-graders have cut the proficiency gap with the rest of the state in half—from 27 to 14 points.

Similarly, Stern cannot legitimately call NAEP exams the "gold standard" of testing while failing to note that New York City students have made statistically significant progress on three out of four NAEP tests since 2003, while far outperforming their peers in New York State and the nation. Even Diane Ravitch, a frequent critic of Bloomberg education policy in New York City, told the *New York Times* earlier this year that the city's progress on math "is solid, and Chancellor Joel Klein can certainly take pride in that improvement." (The improved performance of New York City students reflected in both state and federal testing can also be seen in the city's graduation rate, which has risen 29 percent since 2005—compared with 3 percent for the rest of New York state.)

If Stern's treatment of the city's testing performance is tendentious, his suggestion that test scores have risen because of widespread cheating is irresponsible and totally unsupported. An audit issued by former New York City comptroller and then–Bloomberg mayoral opponent William C. Thompson concluded that his office's "own review of the data and documentation collected by DOE . . . did not reveal any instances of cheating." The city's test-security measures exceed state-mandated requirements, as Thompson noted.

New York City students have made clear and undeniable progress. A serious and impartial analysis of the facts would have led to that conclusion.

David Cantor
Press Secretary, New York City Department of Education

Sol Stern responds:

This is more unsupported boasting by the DOE. It's a statistical artifact that Mr. Cantor should be familiar with—that when state scores are inflated, the lower-performing districts (such as New York City) will seem to catch up with the rest of the state, merely because there is an upward limit to the level of improvement for the higher-performing districts. (After all, even in New York, no one can score higher than 100 percent.)

I have previously acknowledged in *City Journal* that the city's fourth-grade math scores on the NAEP are up, and I now

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Letters

gladly acknowledge that there was finally a small bump this year on fourth-grade reading. (There was also a slight increase in the NAEP reading test under the previous chancellor, Harold Levy.) But the point of my article was to show that the DOE's trumpeting of huge improvements on state tests is called into question by much smaller gains or no gains at all on the NAEP tests. As for the city's graduation rates, there has never been an independent audit determining how much of the claimed improvement is due to widely used gimmicks like credit recovery—that is, allowing students who fail courses to get the needed credits by showing up for a couple of Saturday sessions and doing "makeup" work—or due to the discharge of some students from the rolls. I don't believe the DOE's numbers, and neither do many other knowledgeable observers, including Diane Ravitch, whom Mr. Cantor now cites as an authority.

On the issue of test security, the city's standards exceed the state's. That's because, as I showed in my article, the state has no standards at all. And the city comptroller's audit that Mr. Cantor cites wasn't about teachers or administrators cheating by tampering with student test papers, which is the only issue that I wrote about.

Ouch, Babe

To the editor:

I don't see the purpose of John H. McWhorter's one-sided rereading of the life and work of Sammy Davis, Jr. ["Mr. Mimic," Spring 2010]. True, Davis doesn't have a lasting legacy in song, as Frank Sinatra does, but he was a pioneer in opening doors for black entertainers. He was a tremendously gifted, versatile performer who made a significant contribution to American entertainment.

PERCY REEVES, "THE MIDNIGHT RIDE OF PAUL REVERE"/BETTMANN/CORBIS

Shalom Freedman
Jerusalem, Israel

To the editor:

There is a theme you dance around but do not seem to grasp: assimilation. Who was Sammy? Maybe even he did not know, but he did know what worked and how to please. That was a lesson of the times, a survival skill. African-Americans back then lived and taught that skill to their children: assimilation, or doing what you had to do to be accepted, was a middle-class must. You are missing a big point.

Sheryl Owens
Columbus, Ohio

John H. McWhorter responds:

Sheryl Owens's idea that I, notorious for ten years of writings that urge blacks to step outside parochial tribalist ideology, cannot grasp the value of assimilation is, to put it mildly, rich. I am well aware that a black entertainer of Davis's time had to "behave" in order to pass muster with mainstream America, but Davis was not only "behaving himself"; he was reaching outside his skin color. Remember that it was he who said, "All my life I've been trying to be white." Louis Armstrong, Duke Ellington, Lena Horne, Nat "King" Cole, and Eartha Kitt were not given to statements like that.

My aim was to show that Davis, because of his personal demons, was unable to be comfortably black, white, or anything else and, as such, was an unfortunate individual. The mimicry, virtually lost to history, neatly illustrates this essence of the man. He could certainly put over a song, but energy only goes so far in defining artistic quality.

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Contributors

Claire Berlinski, a contributing editor of *City Journal*, is an American journalist who lives in Istanbul. She is the author of *There Is No Alternative: Why Margaret Thatcher Matters*.

Pascal Bruckner is a French writer and philosopher. He will be a visiting professor at Texas A&M University this autumn. His article was translated by Alexis Cornel.

Theodore Dalrymple, a physician, is a contributing editor of *City Journal* and the Dietrich Weismann Fellow at the Manhattan Institute.

Nicole Gelinas, a *City Journal* contributing editor and the Searle Freedom Trust Fellow at the Manhattan Institute, is a Chartered Financial Analyst and the author of *After the Fall: Saving Capitalism from Wall Street—and Washington*.

Joel Kotkin is a fellow at Chapman University in Orange, California. He thanks the Economic Research and Forecasting Project at California Lutheran University for providing analysis and charts.

Heather Mac Donald is a contributing editor of *City Journal* and the John M. Olin Fellow at the Manhattan Institute.

Steven Malanga is the senior editor of *City Journal* and a senior fellow at the Manhattan Institute. He is the author of the forthcoming *Shakedown: The Continuing Conspiracy Against the American Taxpayer*.

Jim Manzi is the founder and chairman of an applied artificial intelligence software company. He is a senior fellow at the Manhattan Institute and the author of a forthcoming book about scientific knowledge and freedom.

E. J. McMahon is the Manhattan Institute's senior fellow for tax and budgetary studies and director of the Institute's Albany-based Empire Center for New York State Policy.

Joel Mokyr is the Robert H. Strotz Professor of Arts and Sciences and a professor of economics and history at Northwestern University. His latest book is *The Enlightened Economy: Britain and the Industrial Revolution*.

Fred Siegel is a contributing editor of *City Journal*, a senior fellow at the Manhattan Institute, and a scholar in residence at St. Francis College in Brooklyn.

Guy Sorman, a *City Journal* contributing editor, is the author of *Economics Does Not Lie* and other books.

Sol Stern is a contributing editor of *City Journal*, a senior fellow at the Manhattan Institute, and the author of *Breaking Free: Public School Lessons and the Imperative of School Choice*.

Tevi D. Troy, the former deputy secretary of health and human services and a former senior White House domestic-policy aide, is a visiting senior fellow at the Hudson Institute.

David Watkin is a professor emeritus of the history of architecture at the University of Cambridge. His many books include *Radical Classicism: The Architecture of Quinlan Terry* and *The Roman Forum*.

Marcus A. Winters, a senior fellow at the Manhattan Institute, conducts research and writes about education policy.

Soundings:
Stefan Kanfer, a contributing editor of *City Journal* and a former editor of *Time*, is the author, most recently, of a biography of Marlon Brando, *Somebody*. **Philippe Nemo** is a professor of philosophy and political science at ESCP Europe; his article was translated by Alexis Cornel. **James Panero** is the managing editor of *The New Criterion*. **Bert Useem** is a professor of sociology at Purdue University. **William Voegeli** is a contributing editor of *The Claremont Review of Books*, a visiting scholar at Claremont McKenna College's Salvatori Center, and the author of *Never Enough: America's Limitless Welfare State*.

Artists:
Amy Fletcher is a portrait and event photographer based in New York City. **Alberto Mena** is an artist and a graphic designer, also based in New York City. **Arnold Roth** is a cartoonist whose work has appeared in *Punch*, *The New Yorker*, the *New York Times*, and many other publications. For cover artist **Jenny Pockley,** see page 2.

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Santo Domingo **Diarist**

Dominican Republic or Bust

Claire Berlinski

The key to understanding the Dominican Republic is to imagine a country where Jennifer Lopez is the president, Ricky Martin the secretary of the interior, Christina Aguilera the secretary of state, and their backup singers the Supreme Court. An election was taking place while I was in Santo Domingo, visiting my family. They lived in Haiti but had been displaced by the January earthquake. Not speaking Spanish, I couldn't grasp the political details, but I sensed that whichever party succeeded in putting the most trucks on the street, blaring the loudest Latin music and with the most scantily clad young women dancing on top of them, was going to win.

Before arriving, I had thought of the Dominican Republic as the place you escaped to after Haiti had been leveled, if you were lucky. I was expecting concrete, mosquitoes, a sort of Mexican border town by the sea. But I shouldn't have been surprised to find a paradise: this is a Caribbean island, after all, and Santo Domingo is the oldest colonial settlement in the Americas, the first place Christopher Columbus landed. The Zona Colonial feels Spanish and Catholic, with cobblestone streets, sixteenth-century piazzas and basilicas, tiny chapels and frescoes and icons of the Madonna, fountains, statues, children chasing flocks of pigeons, and cafés full of happy people drinking beer and listening to merengue.

Unlike Haiti, the Dominican Republic made a series of wise political and economic decisions. It didn't cut down all its trees, it made the place safer to visit, and when it built up its economy, it focused on growth industries: drug trafficking, money laundering, and sex tourism. It's impossible to take a photo in Santo Domingo that doesn't involve a massive pair of breasts. I try, but the damned things are everywhere. They're clearly the nation's Number One natural resource. I'm told that to understand the relationship between the nation's politics and its cleavage, one must read *The Feast of the Goat*, Mario Vargas Llosa's novel about the excesses of the Trujillo regime, but I'm unable to find a copy in English.

The colors especially are lovely: the azure of the Caribbean, the houses painted in turquoise and pink, the street signs in blue-and-white porcelain. The air is warm and moist. I hear birdsong all day long, and everywhere are lush palms and tropical flowers—bright bushes of crimson bougainvillea, orchids with huge ruffled blossoms. I see lizards, iguanas, turtles, and what I think are parrots, but not a single mosquito. Santo Domingo is technically big—about 2.5 million people—but after Istanbul, where I live, it feels sleepy. Most of the taxis have seat belts. The drivers are enthusiastic about their horns but otherwise in no hurry. Despite the narcotrafficking, which is notorious, the streets feel safe, though the papers report a few murders. I assume that the city is mostly a transit point, with the drugs then going through Haiti, which is lawless, up to Miami.

The earthquake feels very close. Knowing that indescribable wretchedness exists just 40 minutes away, that a few months ago I nearly lost my family in Port-au-Prince, and that the island of Hispaniola is still shaking creates an undercurrent of unease. But it's hard to worry much in the heat.

I like the Dominicans, though I wouldn't use the word "alacrity" to describe their approach to customer service. I have this conversation no fewer than ten times:

"Hello, may I have some iced coffee?"

"No, we don't have that."

"Hmmm. I see you have coffee, *sí*?"

"*Sí*."

"And I see you have ice, *sí*?"

"*Sí*."

"So what do you think about putting the ice *in* the coffee?"

We go around several times before I convince them that iced coffee really is just the product of ice and coffee.

Never mind: after living in Turkey, I'm just grateful to be around people who don't seem driven enough to plot conspiracies or foment coups. I'm aware that the country has seen both, but it doesn't seem plausible. Perhaps I saw only what I wanted to see, but Santo Domingo will remain in my memory an oasis of heaving bosoms, tropical breezes, brightly colored birds, salty food, beer, merengue, and the happiest-looking German sex tourists I've ever seen. □

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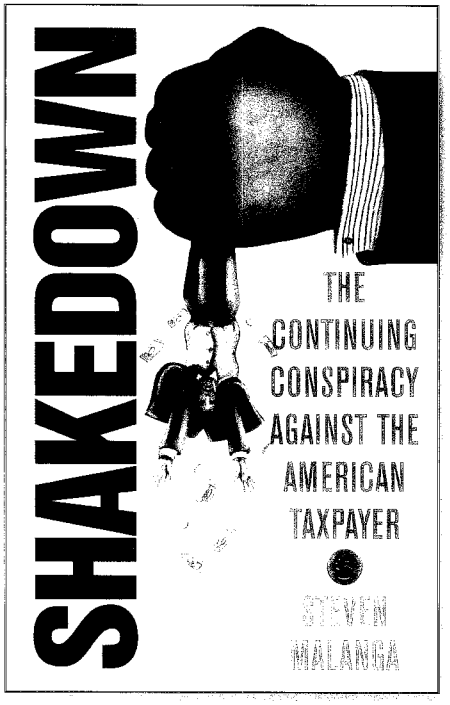

SHAKEDOWN

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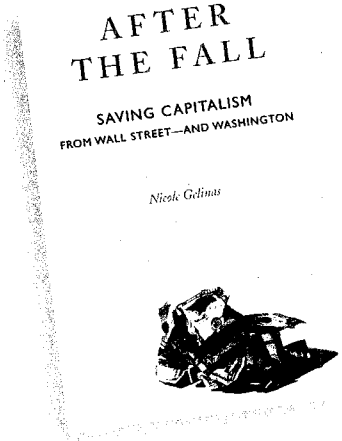

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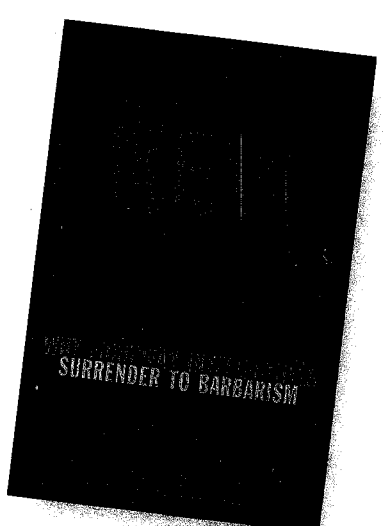

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